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D 8523A

DRUGS
Tricky balancing act for regulators
Page 17

World News

Poll says 75% of Israelis back land for peace deal

Almost 75 per cent of Israelis favour exchanging occupied Arab land in return for peace a poll revealed yesterday, as prime minister Yitzhak Shamir, prepared to fly to the US for talks with the American Jewish community, culminating next Friday in a meeting with President George Bush. **Page 18; Optimism engulfs Palestinians, Page 4**

Yugoslav peace hope
Serbia and Croatia have agreed to enforce a ceasefire which will pave the way for the deployment of United Nations peacekeeping forces, Lord Carrington, chairman of the European Community peace conference, said. In spite of agreement on all sides to implement this latest ceasefire, Croatian radio reported heavy fighting throughout the republic. **Page 18; Editorial comment, Page 16**

El Salvador ceasefire
Leftist rebels announced a unilateral ceasefire to take effect tomorrow and aimed at ending El Salvador's 12-year-old civil war. The announcement came during UN-sponsored peace talks in Mexico City.

Soviet federation plan
Leaders of seven Soviet republics agreed the basis of a new decentralised federation, but doubts persisted on whether the accord would hold without the participation of Ukraine, Uzbekistan, Moldova, Georgia and Armenia. Crisis in Caucasus, **Page 2**

Irish reshuffle backed
Irish Prime Minister Charles Haughey secured parliamentary backing for a government reshuffle. Vincent Brady, chief whip of the ruling Fianna Fail party, was named as defence minister and there were seven other ministerial appointments. **Page 3**

Czech talks breakdown
Fears that the Czech and Slovak Federation may split have increased after a breakdown of the latest round of negotiations between leaders from the two republics to find a new basis for co-existence between the country's two main ethnic groups. **Page 3**

SA meeting postponed
A meeting scheduled for today between South African political parties to set the dates and details of the proposed multi-party constitutional conference has been postponed, the African National Congress said. **Page 4**

Three die in post office
A sacked letter carrier armed with a rifle walked into a post office in a suburb of Detroit, Michigan, US, and killed three people and wounded seven before shooting himself in the head, eyewitnesses and police said.

Breast implants fear
Findings by a Food and Drug Administration (FDA) panel could herald a ban or at least sharp restrictions on the use of breast implants in the US. **Page 5**

Independent voice
A new national newspaper, L'Indipendante, was launched in Italy. **Page 3**

Business Summary

German sales raise turnover DM6.58bn at Daimler-Benz

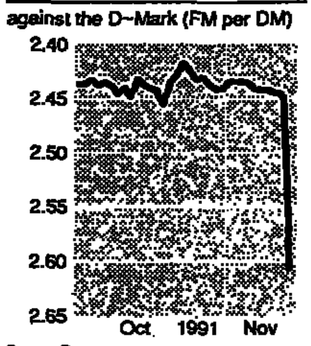
A 27 per cent surge in domestic sales helped Daimler-Benz, Germany's largest industrial company, to a DM6.58bn ($4bn) rise in turnover to DM67.38bn in the nine months to end-September. Net profit grew only slightly to DM1.38bn.

Daimler described business in Germany as "gratifying" and said profits for the year would be satisfactory. **Page 19**

FINLAND'S central bank floated the markka after speculative pressure sent short-term interest rates surging to 30 per cent and produced a huge capital outflow. The markka immediately fell by 10.6 per

Finnish Markka

against the D-Mark (FM per DM)



Source: Datastream

cent against the Ecu. Pressure on the currency has intensified amid speculation that the Metal Workers' Union would not accept an incomes agreement aimed at cutting labour costs. **Page 2**

US economy: A drop in consumer price inflation last month relieved financial markets after figures released on Wednesday showed a surge in wholesale prices. Consumer prices rose 0.1 per cent – the smallest increase in seven months. **Page 5**

CHEMICAL industries of the European Community, the US and Canada have agreed that customs duties on pharmaceuticals should be abolished and import tariffs on chemicals harmonised at a "moderate" 5.5-6.5 per cent. **Page 7**

BRITISH GAS may make $50m windfall profit after reaching agreement in principle with Repsol, state-owned Spanish energy conglomerate, to end a two-year feud over investments in Spain. **Page 19**

HONDA Motor, Japanese car and motorcycle maker, reported a 4.5 per cent rise in consolidated pre-tax profits to Y90.64bn ($697m) in the six months to end-September. **Page 23**

FRENCH government plans to sell more than FFr2bn ($350m) worth of shares in Elf Aquitaine were condemned as "scandalous" by the right-wing opposition. **Page 20**

AUSTRIAN banking: Girozentrale und Bank der österreichischen Sparkassen is buying Osterreichisches Credit-Institut from Z-Länderbank Bank Austria for Sch2.5bn ($217m) in the latest move to restructure Austria's fragmented banking sector. **Page 19**

PEUGEOT, French car maker, is to bid for the right to establish a second car manufacturing plant in Malaysia after Proton, the national car built jointly with Mitsubishi of Japan. **Page 7**

Libyan 'agents' accused of Lockerbie bombing

By **Jimmy Burns** in London, **George Graham** in Washington and **James Buxton** in Edinburgh

PRESIDENT BUSH is considering "international responses" to follow up the indictment by the US and Britain yesterday of two alleged Libyan intelligence agents on murder charges arising from the 1988 Lockerbie airline disaster in which 270 people died.

Mr Marlin Fitzwater, the White House spokesman, said Mr Bush would be consulting Mr John Major, the British prime minister, and other world leaders in the coming days "to fashion together a co-operative international response".

US and British officials indicated that they would not take precipitate military action likely to upset the delicate balance in the Middle East. Sanctions are among the options being considered.

There was no immediate response from Libya following the announcement. However, Mr Saeeb Mujber, Libya's ambassador to France, denied US and UK allegations that his country was involved in the bombing. "It is . . . a very serious lie", he said in an interview on British TV.

"There is no proof of it whatsoever. We are victims of terrorism and not perpetrators of it", he added.

The indictments and warrants for the arrest of the Libyans were announced simultaneously in Washington and Edinburgh by Mr William Barr, the acting US attorney-general, and Lord Fraser, the Lord Advocate, Scotland's chief law officer. The UK Foreign Office said Britain handed warrants for the arrest of the two Libyans to Libya's mission in the United Nations.

Mr Douglas Hurd, UK foreign secretary, in a statement to parliament, repeated the demand that Libya hand over the two men, named as Abdel Baset Ali Mohmed al-Megrahi and Al Amin Khalifa Fhimah, both believed to be in Libya.

"The interests of justice require no less. This was a fiendish act of wickedness and it cannot be passed over and ignored," Mr Hurd said.

The charges were the first in a joint, global investigation into the disaster in which a bomb ripped apart a Pan Am jumbo jet as it flew above the Scottish town of Lockerbie.

Lord Fraser named Al-Megrahi as a senior officer with Libyan intelligence who at the time of the bombing was head of security with Libyan Arab Airlines and then director for strategic studies in Tripoli. Khalifa Fhimah was identified as a Libyan intelligence officer who had been station manager for the Libyan airline in Malta.

The charges allege that the two men "conspired together and with others to further the purposes of the Libyan intelligence services by criminal means" by the destruction of an airliner and the murder of its occupants.

Col Gadaffi returns to haunt **US, Page 10**
UK cautious approach, Page 10
Editorial Comment, Page 16

British proposals would freeze the EC, claim Dutch

By **David Buchan** and **Ronald van de Krol** in the Hague

A SERIES of British amendments seeking to water down the preamble to the proposed Maastricht treaty would amount to "freezing the Community's development", Mr Piet Dankert, the Dutch EC affairs minister, claimed yesterday.

The UK amendments – put to its EC partners on Wednesday at a bargaining session on European political union in the Netherlands – have also provoked an angry reaction from Mr Hans-Dietrich Genscher, the German foreign minister.

They stoked a heated exchange over federalism and the Community's future, and put relations between London and Bonn under fresh strain.

The amendments were aimed at removing from the preamble to the draft treaty the words "federal goal" as well as the commitment to a single currency – two well-known British targets.

Chancellor Kohl and President Mitterrand last night expressed cautious optimism at the progress in the EC talks on economic and political union, and at the "evolution" in the British position. Page 18

British officials said the amendments were also designed to clarify that the phrase "single institutional structure" could not be a legal pretext allowing supranational EC bodies, such as the European Commission, Court and Parliament, to intrude into inter-governmental co-operation on foreign and internal security policies.

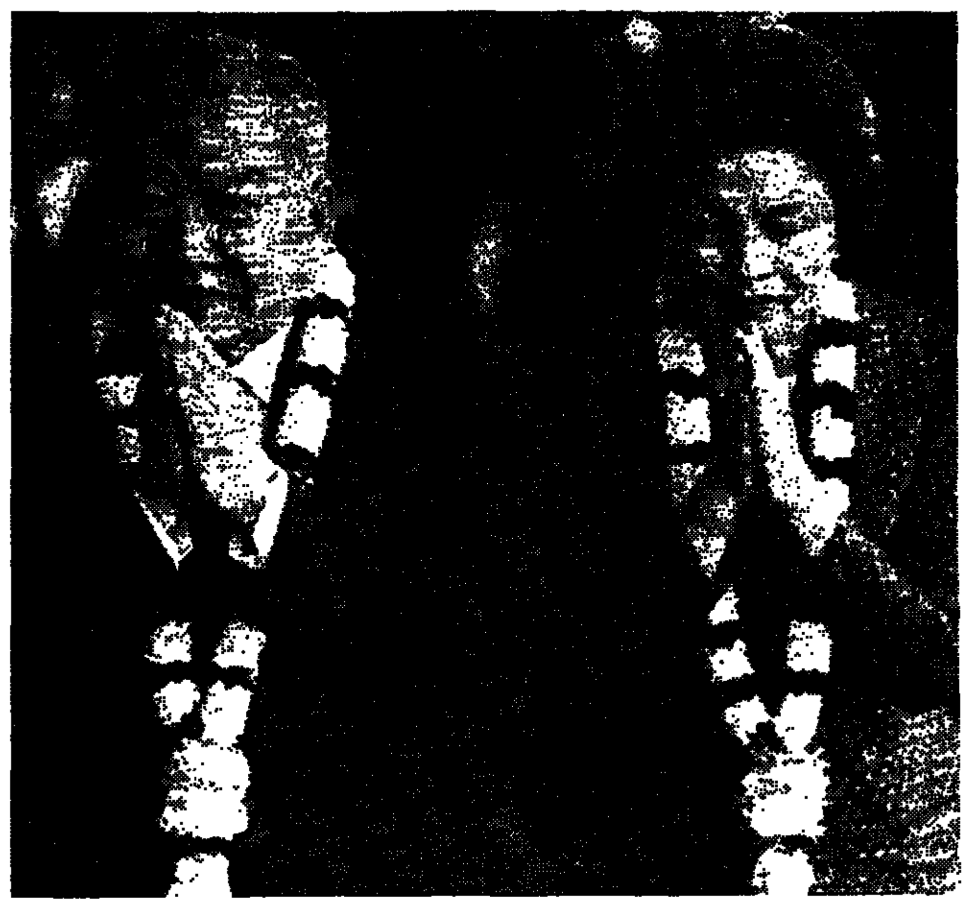
Mr Dankert interpreted the UK amendments as particularly targeted at the role of the European Court. "I have sometimes had the feeling that London fears the Court more than the Commission", he said.

Mr Dankert, in an interview with the Financial Times yesterday, said the Dutch presidency of the EC had shown sympathy for Britain only on the word "federal".

But he said the other British proposals drew attacks, rather than support, from others and that the Dutch presidency had no intention of including then in its final re-write of the treaty preamble just before the Maastrich summit.

"These [UK] amendments would amount to freezing the Community as it is now, with **Continued, Page 18**

Jo Rogaly, Page 16



Homecoming: Prince Norodom Sihanouk and Princess Monique greet cheering crowds at Phnom Penh airport yesterday ending 13 years of exile from Cambodia. Page 18

'Wise men' criticise Bonn for failure to curb spending

By **Quentin Peel** in Bonn

THE GERMAN government was criticised by its own economic advisers yesterday for failing to curb its spending plans in order to finance the soaring costs of unification.

Prospects for a record overall public sector deficit of DM200bn ($123bn) in 1992, some DM20bn higher than in 1991, were held out by the "five wise men" who make up the panel of economic experts.

Although they agreed that the collapse of the east German economy had ended in the middle of this year, and a recovery of some 10 per cent was possible there next year, they cautioned against any belief that this amounted to the beginning of a sustained recovery.

For the western part of the German economy, they forecast a slowing of growth from 3.5 per cent in gross national product this year, to 2 per cent next year, with prospects for a sluggish recovery in exports.

The sober report of the "wise men" – leading professors from the German universities – comes just a day after Mr Johann Eekhoff, state secretary in the economics ministry, gave a far more gloomy assessment of the country's economic prospects than has come previously from government sources. He warned that the economy was teetering on the brink of a recession.

The five accused the German government and the private sector of failing to re-order their spending priorities to cope with the transformation of the German state.

"Instead of changing the direction of financial policy – by postponing less urgent state spending, and radically cutting long-standing state subsidies – most things were simply left as they were," they said.

"Resources that were needed in ever greater amounts to spend in the new federal Länder were simply taken from the capital markets."

The report agrees with the finance ministry that the narrowly defined deficit (of the federal government, the Länder and local authorities) will drop marginally from DM135bn to DM131bn.

However, inclusion of the Treuhand privatisation agency in the east, burdened with heavy subsidies for loss-making eastern state enterprises, social security, railways and post office, would push next year's deficit up to DM200bn.

Unemployment in the east is forecast to rise to 1.35m from just under 1m, although the report recognises underlying unemployment is far worse.

For the western economy, it says exports will be the pivotal factor for growth, warning that what gradual recovery there is in the international economy is coming mostly from private consumption and construction, and not from industrial investment, the area to which 60 per cent of German exports go.

BCCI suspicions raised 16 months before closure

By **David Lascelles** in London and **Alan Friedman** in New York

SUSPICIONS that led to the discovery of fraud at Bank of Credit and Commerce International were first put to the bank's executives in March 1990, 16 months before the bank was closed down, an FT investigation has revealed.

So far the Bank of England, which supervised BCCI's UK activities, and Price Waterhouse, the auditor, have insisted that, although "false or deceitful" accounting was uncovered in early 1990, there was no evidence of systematic fraud until a detailed investigation in 1991.

Evidence of manipulation of the loan accounts of the Gulf shipping group, BCCI's largest customer, was uncovered by PW in the course of preparation of the bank's 1989 accounts.

It was discussed at two meetings at the PW offices in early March 1990. One description of the meetings was given yesterday by Mr Masihur Rahman, BCCI's chief financial officer, who was at both.

The first was attended by three PW auditors and the second, a day later, included Mr Swaleh Naqvi, the bank's chief executive.

The meetings were called at the instigation of Mr Christopher Cowan, the PW partner in charge of the audit.

Mr Rahman's notes of the meeting, copies of which have been obtained by the FT, quote Mr Cowan as condemning "lies and concealment" by the staff of Mr Naqvi.

The notes, taken by Mr Rahman, record Mr Cowan as saying: "As long as there are bogus transactions on the books we can't proceed."

The word "fraud" is not used in the notes, but Mr Rahman claimed yesterday:

"Price Waterhouse's whole emphasis was that it was no longer a question of our provisions being too little. It was that fraudulent transactions had been found."

Last night PW declined to comment on the meetings, citing customer confidentiality. It is understood that the second meeting, in particular, reviewed the evidence of account manipulation, as well as highlighting problem areas in the 1989 accounts.

The information was passed to the Bank of England. But at this stage BCCI's known financial problems were so severe that the regulators agreed to pursue a $2.2bn rescue proposed by Abu Dhabi, the bank's largest share-holder.

As part of that arrangement, the bank's headquarters would move to Abu Dhabi. Files from BCCI's London offices were flown to Abu Dhabi with Price Waterhouse's approval.

It was later discovered that these files included the private files kept by Mr Naqvi, detailing the BCCI frauds.

Price Waterhouse has said that it was happy for the documents to go to Abu Dhabi, as they could easily be studied there. Once the existence of the Naqvi files became known, Price Waterhouse accountants sealed them in Abu Dhabi, and subsequently discovered details of the frauds from them.

Details, Page 8

Weekend FT

Tomorrow: How a gang of art thieves found a fortune in a Suffolk field

●

Temples and tyrants in the ruins of Cambodia

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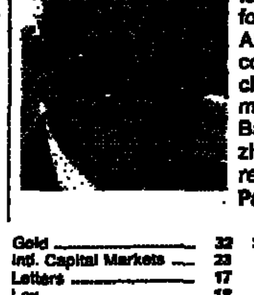
Andreas Papandreou bounces back from disaster



Greek Socialist leader Andreas Papandreou is no longer fighting for his political life. After seven months of court hearings, charges of his involvement in the $200m Bank of Crete embezzlement scandal remain unproven **Page 3**

MARKETS

STERLING
New York lunchtime:
$1.776
London:
$1.7755 (1.771)
DM2.895 (2.905)
FFr9.8975 (9.9175)
SFr2.57 (2.5725)
Y230.5 (same)
£ Index 91.3 (91.2)

GOLD
New York Comex Dec
$ (357.3)
London:
$356.1 (356.2)

N SEA OIL (Argus)
Brent 15-day Jan
$ (21.225)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.6295
FFr5.569
SFr1.446
Y129.595
London:
DM1.6305 (1.64)
FFr5.575 (5.60)
SFr1.4475 (1.4525)
Y129.85 (130.1)
$ index 63.4 (63.5)
Tokyo close:129.65

US lunchtime rates
Fed Funds: $4\frac{13}{16}$%
3-mo Treasury Bills: 4.742%
Long Bond: $102\frac{5}{32}$
yield: 7.813%

STOCK INDICES
FT-SE 100:
2,581.6 (+15.1)
FT-A All-Share:
1,235.09 (+0.5%)
FT-SE Eurotrack 100:
1,109.78 (+4.88)
New York lunchtime:
DJ Ind. Av.
3,053.22 (-12.06)
S&P Comp
396.38 (-1.03)
Tokyo: Nikkei
24,176.54 (-239.69)

LONDON MONEY
3-month interbank:
$10\frac{3}{8}$% ($10\frac{13}{32}$%)
Liffe long gilt future:
Dec $95\frac{11}{32}$ ($95\frac{17}{32}$)

Delors considers giving ground to help secure agreement at next month's summit

Brussels may yield over social policy

By David Gardner in Brussels

THE European Commission is to consider ditching the most contentious of the new social policy powers which it and all member states except Britain want the EC to assume. The intention would be to help secure an agreement embodying real powers in other areas at next month's Maastricht summit on economic, monetary and political union.

Mr Jacques Delors, Commission president, is said by senior Brussels officials to be coming round to the view that the UK will not sign a revised Rome Treaty which implies EC jurisdiction over workers' representation within trans-European companies and collective bargaining at Community level.

COUNTDOWN TO MAASTRICHT

"Delors looks as though he might jettison the hard core of social policy," a senior Brussels official said yesterday, after the Commission had started taking stock of two days of hard bargaining by foreign ministers at Noordwijk. The Commission is to define its position at a special meeting on November 23-24.

Senior officials said Sir Leon Brittan, the senior UK commissioner and former Conservative cabinet minister, stressed to his Commission colleagues that Mr John Major, UK prime minister, would not be able to accept the social policy provisions of the revised treaty as now drafted.

These provide for majority voting on plans the Commission would be able to present on workers' rights to have "information and consultation" – a keystone of the EC Social Charter that Britain has refused to sign. At Germany's behest, they also would bring into EC jurisdiction issues to which the UK is even more averse, such as redundancy conditions and "representation and collective defence of the interests of workers and employers, including co-determination", or workers' involvement in management.

Ministers have been making this increasingly clear but it is only now dawning on the UK's partners that social policy could become Britain's last trench at the Maastricht summit.

The Dutch presidency of the EC regards Britain's visceral hostility to what its government sees as the re-regulation of industrial relations, and Spain's insistence on "cohesion" (treaty mechanisms for transferring funds to the poorer south), as the two least tractable issues in a long list of deals to be struck before a treaty can be signed.

German SPD threatens to block EC treaty

By Quentin Peel in Bonn

GERMANY'S opposition Social Democrats (SPD) served notice yesterday that they – and a majority of the Bundestag – would vote against the latest European Community treaty draft on political union, unless the powers of the European parliament were substantially strengthened.

The SPD is calling for greater parliamentary scrutiny – at the European level – of both monetary and defence policy, given the planned transfer of responsibility for both areas to the Community.

"If there are no changes in the direction of more rights for the European parliament, the German Bundestag will not be able to say yes to ratification," said Ms Heidemarie Wieczorek-Zeul, the SPD spokeswoman for European affairs.

"If on the one hand, the EC is going to achieve more responsibilities in such central questions as economic and monetary policy, then the European parliament needs a comparable right of co-decision-making. Otherwise European political union will be undemocratic," she said.

The feeling in favour of granting co-decision-making powers to the European parliament is running strongly in all parties in the Bundestag, while in the upper house, the Bundesrat, the SPD has a majority. It is still unclear whether the proposed European treaties on political union and monetary union have to be approved by a regular majority in Germany, or a full two-thirds constitution-changing majority.

Ms Wieczorek-Zeul also criticised the German government for a false sense of priorities, in pressing for its "senseless Franco-German defence initiative" and the transfer of competence for internal policies (immigration and crime-fighting) to the EC level.

She said the German government linkage between the treaties on Emu and Epu was likely to be meaningless, without more powers for the parliament.

Luxembourg yesterday proposed that only EC members which give early warning of their doubts about joining in a single currency should be allowed to opt out of the arrangement, Reuter reports from Brussels. The plan, presented to senior officials negotiating economic and monetary union, would substantially restrict a key provision of the current Emu treaty draft drawn up by the Dutch, who are presiding over the talks.

Luxembourg presented the idea as a compromise between Britain, which insists on the legal right to stay out, and many others worrying that a broad opt-out clause would allow any member, especially Germany, to slip out of the back door at the last minute.

Cresson to consult chairmen on state industry reforms

By William Dawkins in Paris

THE French government is to consult chairmen of government-owned companies in the next few weeks on possible reforms of the management of state industry, to take effect next March or April.

A small selection of chairmen from three or four of the main groups is expected to give its views on the plans, parts of which have started to leak from the office of Mrs Edith Cresson, the prime minister, over the past few days.

They include worker participation in the management of state industry, and the possible introduction of a two-tier structure. This would involve a supervisory board – where half the seats would go to staff representatives – to take strategic decisions, and a management board to handle day-to-day business.

The plans have been under study for several months, but the recent strike at Renault, the state-owned car maker, has given them fresh urgency in Mrs Cresson's mind.

This has added to speculation that Mr Raymond Lévy, Renault chairman, might be replaced before his mandate expires next June.

The reforms could also be used to bring forward job changes at the top of other state industries.

Another change being considered is to lengthen the mandate of state-owned companies' chairmen from three years to five. This comes in response to pressure from public sector management to be given more time to carry out its strategies, in line with privately owned competitors.

Various French state managers, such as Mr Jean Peyrelevade, chairman of Union des Assurances de Paris, the insurance group, are also pressing for state company chiefs to be elected by their own boards, rather than by the cabinet. This would reflect the gradual reduction of government ownership in industry, in line with its programme of partial privatisations.

Finland forced to float markka

By Enrique Tessieri in Helsinki and Tracy Corrigan in London

FINLAND'S central bank decided to float the markka temporarily yesterday after speculative pressure over the past few days sent Finnish short-term interest rates rocketing to 30 per cent and produced a huge capital outflow.

The decision led to an immediate fall of 10.6 per cent in the value of Finland's currency against the European Currency Unit, the Ecu.

Pressure on the markka has intensified in the last few days amid speculation that the powerful Metal Workers' Union, among others, would not accept an incomes agreement, reached by employee and employers' organisations last month, which aims at cutting labour costs by 6.9 per cent next year.

The decision to float the markka by Finland's Central Bank comes as a devastating blow to Finland's centre-right government. It had been resisting strong demands since the summer from the country's hard hit industrial companies who wanted a sizeable devaluation in the currency to strengthen their competitiveness in a deepening recession.

Mr Esko Aho, the prime minister, had continued to repeat his opposition to any devaluation as late as this week.

The Bank of Finland said it will propose a new fluctuation range to the government when the situation has stabilised. The markka had been allowed to fluctuate in a range of FM4.7295 to FM5.0221.

The markka was pegged to the Ecu in June in an attempt to integrate the economy more into western Europe and to restore confidence in the national currency. The linkage appeared to rule out devaluation as an instrument of economic policy.

Since then the Finnish economy has continued to weaken while the government's economic strategy has failed to win sufficient credibility. However analysts said the Bank of Finland could have used credit lines with other central banks to support the currency.

The Finnish government bond market, which was opened to foreign investors earlier this year, gained ¼ point as interest rates fell back on the news of the devaluation.

But in the longer term, the move is likely to slow the decline of Finnish interest rates, since investors' confidence in the currency has suffered a severe blow, according to analysts.

The weakening of the Finnish currency will also increase Finland's foreign currency debt servicing costs, at a time when the government will need to seek additional financing in the international markets, as its tax revenues decline because of the recession.

Finland has raised more than $3bn in international bonds so far this year, and is expected to set a target next year. But its AA1 credit rating from Moody's is already under review for possible downgrade, which would further increase its borrowing costs.

Sweden's Central Bank said the Finnish decision would have no effect on the Swedish exchange rate policy and the value of the Swedish krona, which was also linked to the Ecu earlier this year.

Crisis in Caucasus leads to warning of war 'within days'

By John Lloyd in Moscow

RUSSIA'S vice-president, Mr Alexander Rutskoi, warned yesterday that the situation in the rebellious Russian republic of Chechen Ingushetia in the northern Caucasus would deteriorate rapidly and could lead to large-scale bloodshed.

Mr Rutskoi drew back from predicting a more generalised conflict in the Caucasus, but Mr Andrei Feodorov, his adviser on international affairs and a former deputy Russian foreign minister, said the inter-ethnic conflicts now coming to the surface could engulf the region in warfare "within days".

Mr Rutskoi, who has been heavily criticised by many deputies in recent days for pressing for the decree establishing a state of emergency in Chechen Ingushetia – signed by Mr Boris Yeltsin last Friday, and overturned by the Russian parliament on Monday – called for referendums on self-determination to be held in Chechen Ingushetia and other Caucasian republics.

If General Dzhokar Dudayev, the Chechen Ingush president, refused to call a referendum, then an economic blockade should be mounted to force negotiations.

The Russian parliament meets today to appoint a delegation to open negotiations with Gen Dudayev. Mr Rutskoi predicted that the delegation would not be allowed to enter Chechen Ingushetia, since Gen Dudayev has said he will not negotiate unless the republic's independence is recognised.

Mr Rutskoi's position now appears to differ from that taken by Mr Boris Yeltsin, the Russian president, who has accepted the Russian parliament's decision to call off the state of emergency and yesterday dismissed Mr Akhmed Arsanov, his representative in Chechen Ingushetia, whom he accused of making misleading reports which provoked the declaration of the state of emergency. Mr Rutskoi said that the imposition of the state of emergency "was not a political mistake", and praised Mr Arsanov for giving a truthful account of conditions in Chechen Ingushetia.

He repeatedly declared that the events in the republic – where both the vice-rector of the university, and Mr Victor Toltsenev, a KGB inspector, have been murdered in the past week – were an affront to democracy and the rule of law. "There is no democracy, and no law, in Chechen Ingushetia. There is only banditry."

Gen Dudayev, according to Mr Rutskoi, had called for a "peace march" on the neighbouring republic of North Ossetia tomorrow, - an action which could result in violence, because of the claims which the Ingush people have on the North Ossetian capital of Vladikavkaz.

Chechen jubilation at the withdrawal of troops could be short-lived

French army to be split

THE French army, which is to be reduced by about 20 per cent by 1997, is to be restructured into two broadly distinct formations, Mr Pierre Joxe, defence minister, told the National Assembly, Ian Davidson writes.

The Rapid Action Force, staffed primarily by professionals, will be earmarked for possible service overseas. Conscripts (whose term is being reduced from 12 to 10 months) will serve in traditional armoured units at home.

The restructuring – trimming from 280,000 personnel today to some 225,000 in 1997 – is a direct result of the Gulf War, when the mobilisation of French forces was severely hampered by President François Mitterrand's ban on sending conscripts.

The government has rejected opposition calls to abandon national service and establish an all-volunteer army.

The defence budget for next year is being frozen at FFr195.5bn ($35bn) or 3.26 of gross domestic product, compared with 3.37 per cent this year. Mr Joxe predicted that defence would continue to take between 3.1 and 3.2 per cent of GDP in the next five years.

Italians rush to early retirement

By Robert Graham in Rome

MANY big Italian industrial groups are taking advantage of a generous early-retirement scheme to ease the cost of restructuring.

The government has allowed for a total of 20,000 workers to be included in the scheme this year. However, as industrial production declines and recession begins to bite, with this year's economic growth below 1 per cent, the demands far exceed the envisaged quota.

As a result, the number to be covered by a slightly modified scheme has been raised to 25,000 in the 1992 budget. Even then, the demand is expected to outstrip the quota.

"The queue is getting longer and longer," says Mr Giuseppe Cacopardi, director-general at the Ministry of Labour.

This week, the ministry approved plans for the Fiat group to retire early 3,689 people in its tractors, trucks and automotive parts companies. This is the largest private-sector package agreed. The government is expected to give its formal go-ahead shortly.

The 1991 scheme covers 11,000 in high-technology industries, in both the private and public sectors, which can demonstrate that reducing their workforce is part of a modernisation plan benefiting the economy. A further 9,000 people will be covered specifically in the steel and shipbuilding industries, both of which are about to undergo substantial restructuring.

People eligible for early retirement must have worked for 30 years. In Italy, the current retirement ages are 60 for men and 55 for women – the earliest in Europe.

Normal pensions are based upon 70 per cent of salary. During the initial five years of early retirement, the government pays 70 per cent of this, the employer 30 per cent. During that five-year period, the nominal cost to the government is nearer L70m ($57,000) per person.

However, the government argues that the real cost is less, as many people who will be covered by early retirement schemes are already receiving state money under a system of funded lay-offs.

The private groups which are to obtain approval for early retirement include Montedison (1,200), Pirelli (900) and Olivetti (3,000); in the state sector Alenia (500), Ansaldo (800), Efim (1,000) and Italtel (1,500). But whole industrial sectors, especially telecommunications and informatics, could well try to take advantage. The latter includes foreign subsidiaries such as Bull and Philips.

The chemicals industry is in reorganisation and the state group EniChem is expected to want 3,000 workers to be covered by forthcoming plant closures. The government is also beginning to look at reorganising defence industries, hard hit by a downturn in orders.

● The Italian parliament yesterday approved the nomination of two new judges to the country's 15-member constitutional court, ending more than a year of unseemly political wrangling.

Soviet Union may halt foreign debt payments

THE Soviet Union may have to suspend payment on its foreign debt from this month, according to figures presented yesterday by Vnesheconombank, the Soviet bank for foreign economic affairs, to the State Council, the body comprising the 12 Soviet republic leaders and President Mikhail Gorbachev, writes John Lloyd.

A report by Mr Grigory Yavlinsky, deputy chairman of the Committee for the Management of the National Economy, says the bank has only continued to function by plundering the $4bn hard currency held in its accounts by Soviet enterprises and individuals.

The State Council was reported to have agreed "in principle" to a treaty for a new federation, or "Union of Sovereign States".

However, the phrase "in principle" has in the past meant disagreement in practice. Only seven of the 12 republics – Russia, Belorussia, Kazakhstan, Uzbekistan, Turkmenistan, Kirghizia and Tajikistan – attended the meeting.

Several, including Russia and Belorussia, are considering introducing their own currencies and none has so far obeyed the terms of the treaty on economic union signed this month.

Mr Yavlinsky, who has become increasingly angered by the failure of republics to implement agreements, presented a report warning of "final collapse" of the economy if effective agreements were not made by December 20.

His report, another graphic demonstration of the horrifying slide in the economy, said that oil exports had been cut this year from 90m tonnes in 1990 to 55m tonnes; that food distribution was partially paralysed; and that credits promised from South Korea and Saudi Arabia had been suspended because of the "unclear situation at the USSR State bank and Vnesheconombank".

Mr Gorbachev, who earlier this week warned of chaos if effective inter-republican agreements were not made, has also again threatened to resign if no union treaty is signed, according to General Sergei Stepashin, a Russian deputy.

Mr Yavlinsky is reported to be close to giving up on his efforts to develop inter-republican co-operation. Together these moves threaten what is left of a central power.

Some sign that Ukraine, the second largest republic, may be having second thoughts about its steadily strengthening independence stance came when Mr Vitold Fokin, the republic's prime minister, said he would resign if the republic did not sign the economic treaty.

Chetniks

The Chetniks were Serb nationalist royalists, and not fascists, as stated in yesterday's paper.

EUROPEAN NEWS

Fianna Fail whip takes on defence post

By Tim Coone in Dublin

MR VINCENT BRADY, chief whip of Ireland's ruling Fianna Fail party, was named defence minister yesterday after the humiliating withdrawal of Dr James McDaid from the post only hours after his nomination on Wednesday.

Dr McDaid, the original choice of Mr Charles Haughey, the prime minister, withdrew after opposition leaders *accused him of being a* "fellow-traveller" of Sinn Fein, the political arm of the terrorist Irish Republican Army, and said he represented a security risk.

The incident once again threw into focus Mr Haughey's precarious hold over the government after surviving a challenge to his leadership in Fianna Fail last weekend which triggered the cabinet reshuffle.

The Progressive Democrats (PDs), junior partners in the coalition government, earlier this week conditioned their continuing support for the coalition government, saying that they "would act appropriately" if new circumstances arose which could undermine confidence in the government.

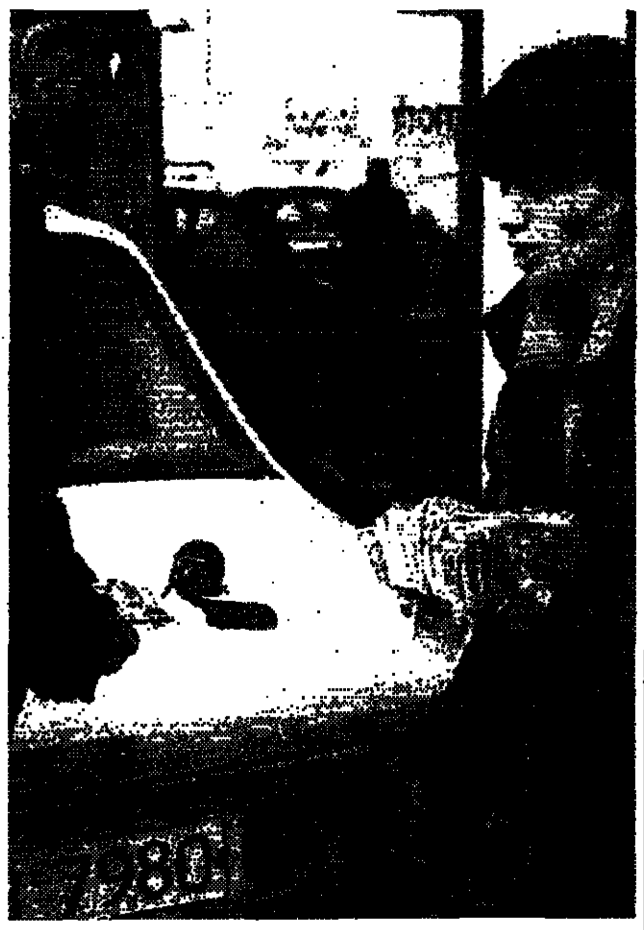
Mr Haughey again faced a barrage of criticism from the opposition yesterday for what was described as "a major error of judgment" in having sought Dr McDaid's appointment to the sensitive defence portfolio. Dr McDaid is a relatively inexperienced backbencher from the border province of Donegal, and only became a Fianna Fail party member a few weeks before he was elected to the Dail (parliament) in 1989.

Dr McDaid had last year opposed the extradition of a convicted IRA member, Mr James Clark, to the UK. He vigorously denied any links to *the IRA, but asked for his nom*ination to be withdrawn "in the national interest" once it became clear the PDs would not vote for the reshuffle.

Mr Des O'Malley, the PD leader, said yesterday after a meeting with Dr McDaid that he was "absolutely convinced that he was a totally honourable and honest man", but felt he "had compromised himself" by his association with the extradition case.

Mr Haughey's wish to promote Dr McDaid, and another backbencher Mr Noel Davern, to the cabinet, over the heads of many better-qualified junior ministers, raised eyebrows within the Fianna Fail party. Had he chosen Dr McDaid, a medical practitioner, for the health or social welfare portfolios, his appointment would have attracted little criticism.

The reshuffle of eight cabinet posts by Mr Charles Haughey, was finally expected to be settled yesterday after two days of acrimonious debate in the Dail.



A Bucharest driver shows the real impact of making the Romanian leu convertible, as she hands over a huge wad of notes yesterday to pay for a tank of petrol. Thousands of motorists queued at petrol stations fearing a trebling of petrol prices to align their fuel costs with the new exchange rate. The panic was prompted by a tripling of air fares on Wednesday.

Czechoslovakia nearer break-up

By Ariane Genillard in Prague

FEARS that the Czech and Slovak Federation may split have increased following a breakdown of the latest round of negotiations between leaders from the two republics to find a new basis for co-existence between the country's two main ethnic groups.

Hopes that the issue could be resolved through a referendum have also faded as federal parliamentary deputies failed even to agree on the questions to be put to the electorate.

Czech and Slovak politicians met in Bratislava to discuss a proposal recently made by President Vaclav Havel which would give the republics greater say in deciding which state powers should be devolved to the republics and which should remain federal. But the talks showed that fundamental differences remain over the fate of the federation.

Most Slovak politicians wanted an inter-republican treaty to allow the federation to be created "from the bottom up". But Czech and federal leaders decried efforts to reduce federal powers.

Slovak politicians have come under pressure from nationalist deputies who attempted for the third time this year to get a sovereignty declaration approved by the Slovak parliament.

Federal ministers are also talking more openly of an eventual divorce. At a recent FT conference in Prague, Mr Vaclav Klaus, the powerful federal finance minister, admitted the eventuality of a split. But he hastened to reassure investors gathered there that everything else would remain "business as usual".

Papandreou bounces back again

By Kerin Hope in Athens

WHEN Mr Andreas Papandreou, leader of Greece's Socialist opposition, speaks at an outdoor rally in central Athens tonight, the crowd will be cheering his ability to bounce back from disaster.

At 72, he may be in poor health but he is no longer fighting for his political life. After seven months of court hearings, with testimony from 80 prosecution witnesses, charges of his involvement in the $200m Bank of Crete embezzlement scandal, together with four ex-cabinet ministers, remain unproven.

Although the former prime minister boycotts the hearings, dismissing them as a political conspiracy against him, the "Great Trial" has been televised live, attracting a regular soap opera audience of Athenian housewives.

With the end of the trial only weeks away, Mr Papandreou may be tempted to treat tonight's rally, expected to draw tens of thousands of supporters from his Panhellenic Socialist Movement, almost as a victory celebration.

The only documentary evidence against Mr Papandreou, a sheet of paper with instructions to deposit $8m in a London bank above his signature, was produced by Mr George Koskotas, the Bank of Crete's former owner. Last week, it was denounced as a forgery by the court's graphologists. Mr Koskotas also failed to substantiate allegations that he was blackmailed by Mr Papandreou into providing several billion drachmas in embezzled cash to finance Pasok's 1989 election campaign.

The acquittal of Mr Papandreou would be another political setback for the ruling conservatives, who now trail the socialists in opinion polls. But Mr Constantine Mitsotakis, the prime minister, seems to be in conciliatory mood, if only because his task of restructuring the economy would be much easier in an atmosphere of consensus.

Mr Mitsotakis hinted this week that another parliamentary indictment against Mr Papandreou, on charges of illegal phone-tapping of cabinet colleagues and political opponents, may be reviewed. Court proceedings were to start after the current trial is completed.

For his part, Mr Papandreou, whose generous welfare policies and willingness to expand the public sector during his eight years in office are blamed for Greece's current economic predicament, now accepts the need for austerity.

Mr Papandreou's rally is also intended to reassure grassroots Socialists that, despite recurring health problems after open-heart surgery in 1988, he has no intention of retiring. However, a succession struggle is gradually taking shape among three former economy ministers, Mr Giorgos Gennimatas, Mr Costas Simitis and Mr Gerasimos Arsenis.

Italians given an Independent view

By Robert Graham in Rome

A NEW national newspaper was launched in Italy yesterday with the avowed mission of cutting a swathe through the speculation and verbiage that characterises so much of Italian journalism.

L'Indipendente's first editorial assures readers that the newspaper will strive rigorously to make the distinction between news and comment and to remain independent from party politics.

The paper, five years in gestation, is the brain-child of Mr Franco Levi, its 43-year-old editor. has worked previously on two of the country's most prestigious dailies, Corriere della Sera and Il Sole 24 Ore, and is the scion of Milanese trading families. His uncle Mr Arrigo Levi is one of Italy's best-known commentators.

Unlike the rest of the Italian press, which is in the hands of multi-media groups and big industrial names (Agnelli, Berlusconi, De Benedetti, Ferruzzi), or the main political parties, Indipendente is owned by a relatively anonymous group of small shareholders, including the Levi family. Seven shareholders hold 70 per cent, another 25 per cent is distributed among 21 individuals with none possessing more than 3 per cent, while the remainder is owned by the journalists and management.

This structure of ownership has permitted the paper to nail its colours to the name, Indipendente, while being what its *editorial board describes as* "liberal with a small 'l' and freemarket". The name and concept of the paper derives inspiration from the example of The Independent in the UK. Indeed, as part of the emulation of Anglo-Saxon journalism, Mr John Wyles, the Financial Times' former Rome correspondent, has been recruited as one of the two deputy editors – the first time a foreign journalist has been involved in an Italian newspaper at senior level.

The paper's print-run yesterday, using presses in Milan and Rome, was 400,000. According to Mr Levi, it needs to sell 80,000 copies to break even. Although this may seem small, the market is limited, fractured and highly-competitive. The number of daily papers sold per head of population per year is under 120, less than a third of the level in Britain. No more than 5.6m papers are sold daily, and that includes high-selling sports newspapers and all regional publications.

Since the end of the 1980s, it has become increasingly difficult to find new readers; annual growth in copies sold has been less than 2 per cent. With the economy dipping into recession this year, sales have stagnated and newspapers have resorted to promotional gimmicks like free magazines, *encyclopedias* and *calendars*.

Media advertising has been directed increasingly towards television, especially the private channels. During the 1980s, the share of the press in total media advertising fell from 57 per cent to 48 per cent, while television's rose from 27 per cent to 47 per cent.

L'Indipendente enters a market where there are already seven national dailies and its first issue offered broadly simi*lar fare, albeit with a clean* look and discreet use of colour. To carve a niche will be an uphill struggle requiring deep pockets and much nerve. The newspaper has been coy about its finances but it reportedly has the resources to stay on the streets for three years without fresh funds.

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Hungary lays ground for sell-off of banks

HUNGARY has introduced modern banking regulations for the first time and set the legal foundations for selling off the country's state-owned banks, writes Nicholas Denton in Budapest. Parliament this week passed a banking act which is the most significant reform of the financial sector *since the state-owned commer*cial banks were hived off from the central bank in 1987.

The new law limits any one shareholder, the state included, to a 25 per cent stake. At the same time the legislation sets out capital requirements to fit with Bank for International Settlements norms.

Taken together, the measures are seen as forcing the pace of the privatisation of Hungary's banks, which need infusions of capital to cover write-downs.

INTERNATIONAL NEWS

Prince Sihanouk returns to a reign of confusion

After decades of war remaking Cambodia will be a daunting task, reports Victor Mallet

PRINCE Norodom Sihanouk's triumphant homecoming yesterday marked the end of Cambodia's international isolation and the beginning of at least 18 months of political confusion and economic uncertainty as the country prepares for elections in 1993 under the auspices of the United Nations and the Supreme National Council headed by the Prince.

But it will need more than a lick of new paint on the walls of the royal palace to rehabilitate Cambodia. Roads, power plants and communications networks are in a sorry condition. Outside Phnom Penh at night, armed ex-guerrillas and drunken soldiers have become a serious problem, although not as widespread or as dangerous as the hundreds of thousands of anti-personnel mines left on jungle paths and in paddy fields.

So many skilled Cambodians were murdered or exiled by the extremist Khmer Rouge regime between 1975 and 1979 that the country will find it difficult to absorb such foreign assistance as may be forthcoming following the peace accords signed in Paris last month.

"We have found it extremely difficult to recruit local people capable of implementing even small-scale programmes," said Ms Sally O'Neill, who works for a Catholic aid group active in Cambodia for the last 12 years.

To implement western-style elections in such circumstances is the daunting task now facing the UN and the SNC. Cambodians express hope and pleasure at the return of their "god-king" Prince Sihanouk, and concern about the inclusion of the Khmer Rouge in the SNC, but they are largely indifferent or ignorant about the politics practised by a privileged elite.

"Many people don't have any idea what elections are," said one Soviet diplomat this week. "Many people don't have any idea that the Paris agreements have been signed."

There are other causes for concern. The influence of Vietnam, which invaded Cambodia and overthrew the Khmer Rouge in 1978, has weakened in step with the decline of the Soviet Union, but other Asian neighbours have been quick to take advantage of Cambodia's confusion.

Corruption is rife among the ill-paid bureaucrats of the old, Vietnamese-backed administration which still runs most of the country. Entrepreneurs from Thailand and elsewhere are buying state property and exporting tropical hardwoods at an alarming rate.

The contrast between bustling Phnom Penh and the destitute villages in the countryside has prompted fears that the Khmer Rouge may take advantage of rural resentment to win support from peasants ahead of the elections. Western governments have ruled out a return to power by the Khmer Rouge's most notorious leaders, in particular Pol Pot, but the risk remains of a Khmer Rouge comeback "in some slightly diluted guise", as one diplomat put it.

Mr Hun Sen, the Vietnamese-backed prime minister, and the 69-year-old Prince Sihanouk appear to have decided to stick together to minimise that risk. Mr Hun Sen flew to Beijing to collect the Prince from exile and yesterday accompanied him into Phnom Penh in a Chevrolet convertible provided for the occasion by a canny Thai businessman.

The ruling Cambodian communist party last month abandoned Marxism-Leninism in favour of democratic liberalism, changed its name to the Cambodian People's Party while Mr Hun Sen urged the renamed party to support Prince Sihanouk as a presidential candidate.

The Prince is regarded as a symbol of Cambodian nationalism, a brilliant political tactician and one of the architects of the peace accords. But his unpredictability has prompted even his admirers to ask if he has any strategic vision for the future.

International aid will be crucial yet there are doubts about the amount of money and commitment that the western powers will be prepared to give to Cambodia and to the most expensive UN operation in history. Initial estimates for UN operations went as high as $5bn, but the figure has now been trimmed to $1bn.

Meanwhile, Mr Son Sen, the Khmer Rouge defence minister and former chief executioner, is expected to arrive in Phnom Penh on Sunday in time for the first meeting of the SNC. The fact that he is to show his face in the Cambodian capital – where there is a museum dedicated to the victims of Khmer Rouge atrocities containing a map of the country made out of human skulls – shows the extraordinary nature of the achievements in Paris, and of the challenges awaiting the UN and the Cambodian people.

WELCOME BACK: The exiled Prince returns to his capital Phnom Penh to joyful acclaim

S Africa parties postpone talks

A MEETING scheduled for today between South African political parties, to set the dates and details of the proposed multi-party constitutional conference, has been postponed, the African National Congress said yesterday, AP reports from Johannesburg.

A day after announcing plans for black-white negotiations, the ANC said that obstacles remained to launching the talks.

But President F.W. de Klerk and the ANC still hope to open talks as early as the end of the month on a new constitution to end apartheid and extend voting rights to the 30m black majority.

On Wednesday, Mr Nelson Mandela, ANC president, had told reporters he expected the conference to be held on November 29 and 30.

Mr Gerrit Viljoen, Constitutional Development Minister, criticised Mr Mandela's announcement, saying the dates were still under negotiation. He said in a statement that "speculation and premature announcements ... have had a retarding effect on negotiations."

Right-wing whites and the black militant Azanian People's Organisation have so far rejected multi-party talks.

Reuter reports: Four people were killed as black factions continued fighting in a township in South Africa's Natal province, police said.

They said three men and a woman had been stabbed to death in Townlands black township, near Richmond.

An official of the ANC in the town said members of the rival Inkatha Freedom Party had attacked an ANC area.

More than 3,000 black people have been killed throughout the country in the last 15 months of township violence, most of it between the ANC and the mainly Zulu Inkatha movement.

Richmond was in the ninth day of a black consumer boycott called by the ANC because of what it called negative racial attitudes by the town's whites. These whites, accusing the ANC of intimidating blacks into joining the boycott, had held a meeting on Wednesday when they threatened to take the law into their own hands.

President F.W. de Klerk of South Africa reviews a guard of honour on his arrival in Taipei yesterday

Peking hopes visit will bring international respectability

Baker to focus on rights in China

By Yvonne Preston in Beijing

MR JAMES BAKER, the US Secretary of State, arrives in Beijing today on a visit which will focus on China's human rights practices.

Beijing, which hopes the visit will return it to full international respectability after the damage done by the ruthless suppression of the pro-democracy movement in June 1989, yesterday denied that the central committee of the Communist Party had issued a document dismissing US human rights concerns as "garbage."

The document dismissed yesterday by the Foreign Ministry in fact exists in the form of a secret study document, not as a Central Committee paper.

Distributed to communist party members and marked "secret" it dismisses US human rights policy as "garbage."

The document, which was leaked to the foreign media this week, accuses the US of using human rights to encourage "internal forces of opposition," and of plotting with other western countries to destroy China's communist leadership by means of "peaceful evolution."

The issue of human rights tops a list of problems blocking a return to the full Sino-US diplomatic relations which prevailed before Tiananmen.

They range from US concern over China's alleged missile sales to Syria and nuclear technology to Iran, to China's failure adequately to answer charges of exporting prison-made goods.

A report released yesterday by Asia Watch, a New York-based human rights group, said Chinese prison labour goods continue to be exported to the US.

The report detailed exports of four large prison enterprises in two provinces it said earned China millions of dollars annually. Mr Baker was expected to negotiate a memorandum of understanding on prison exports during his three-day visit, it said.

Earlier this week President George Bush compounded Chinese paranoia, already deeply affected by the collapse of communism in the Soviet Union and eastern Europe, about a perceived western plot to subvert the Beijing government by warning that China's resistance to the introduction of democracy could cause international instability.

Mr Bush said it was US policy to maintain relations with Beijing but never to retreat from building democracy there. Nevertheless China has repeatedly and publicly stressed the importance of Mr Baker's visit, which the country have sought to secure for at least a year.

With Sino-US relations at their lowest ebb in years, a great deal is at stake for China as was clear from the vehemence of its campaign for the renewal of its most favoured nation trading status.

A Foreign Ministry spokesman said it was worth noting that "some people do not want to see the restoration of relations between the US and China.

"By every means available they try to defame China, but their attempts will never succeed," he added.

Violence drops as delegates try to dampen high hopes in occupied territories for peace process

Surge of optimism engulfs Palestinians

By Hugh Carnegy in the Gaza Strip

SINCE he returned home on Sunday from the Middle East peace conference, Dr Haidar Abdel-Shafi, leader of the Palestinian negotiating team, has spent a lot of time in the garden of his sedate villa in Gaza City greeting hundreds of visitors who flocked to congratulate him on his performance in Madrid.

In both the West Bank and Gaza, Palestinian delegates to the peace conference have been heartened by the outbursts of public support for them. Scenes of Palestinians waving olive branches at Israeli soldiers are now lodged in local folklore.

There is no doubt that a surge of optimism has infected many people in the occupied territories. After years of grim struggle against the Israelis, with little political gain to show for it, the prospect of self-government, which the Madrid process aims to achieve within a year, is enticing, even if what is on offer from Israel falls far short of the demand for full independence.

The streets of Gaza offer some clues as to why this is so. The lack of any effective municipal authority is in ugly evidence everywhere. Early winter rains and a clogged drainage system have flooded football pitches with evil-looking black pools. Garbage litters every street. The lack of any traffic control, combined with dozens of Israeli road-blocks, causes chaos on the pitted roads.

"We need something to let us take care of this," groans a Gazan after fighting his way through a grinding traffic snarl-up.

The Israelis say the number of violent incidents in the West Bank and Gaza has dropped this month by 70 per cent in some areas. And supporters of the Palestine Liberation Organisation, which endorsed the peace process, won a notable victory over Hamas, the powerful Islamic fundamentalist group which opposes it, in a Gaza Chamber of Commerce election.

But there is another side to the coin. On Wednesday, not far from Dr Abdel-Shafi's house, teenagers hurled rocks at a passing Israeli army jeep, eliciting a rifle shot in reply.

New graffiti has appeared denouncing any concessions on Palestinian demands. Dr Abdel-Shafi and his fellow delegates are aware that opposition

Dr Abdel-Sahfi: fearful

persists and they fear that among their supporters, expectations are running too high.

"I have tried from the start to tell the people that there is no reason for them to be very expectant. We have to be very realistic. We are still at the beginning of a road that will be very long and difficult. Maybe we will meet frustrations and even deadlock," said the quietly-spoken, 70-year-old physician as he sat in his garden.

To his many visitors, and at a lunchtime feast in his honour attended by hundreds of Gazans, Dr Abdel-Shafi stressed the need for Palestinian unity – a barely coded appeal to opponents of the peace process not to lapse into internecine disputes and violence. "We did not go to sell Palestine," he tells his audience.

The opposition is grouped around Hamas and two radical left-wing organisations, the Democratic Front and the Popular Front for the Liberation of Palestine. They strike a chord with many when they say the negotiations are meant to trap the Palestinians into limited autonomy, putting off the demand for real independence for ever.

The DFLP and PFLP are seeking to inject a tougher line into the negotiators' stance though a network of political committees they want set up to dictate policy. Dr Shafi and the overall peace talks chief, Mr Faisal Husseini, are resisting such a move.

Their fear is of more violent opposition from Hamas, which is especially strong in Gaza. Another physician, Dr Mahmoud Zahar, is a leading Hamas figure in the Strip. He warns that it is a "disaster" to have allowed Palestinians to build expectations about a peace process he is sure will fail.

"The worst thing is they have diverted the emotions of the people away from the *intifada*," he said. "People think peace is now behind the door. When they discover that nothing is behind the door, the reaction will be very bad."

Congress faces stern test as Indian by-elections loom

By David Housego in New Delhi

THE four month old Congress government of Prime Minister P.V. Narasimha Rao faces the first major test of its popularity this weekend with by-elections for 15 seats in the Lok Sabha (parliament).

Mr Rao is himself contesting from Nandyal in the southern state of Andhra Pradesh, while Mr Sharad Pawar, the minister of defence, is seeking election from the western state of Maharashtra where he had previously been chief minister.

The Congress party has set its sights on winning 10 of the seats, including Amethi, the constituency of former Prime Minister Rajiv Gandhi.

Even if it achieved this goal, it would still remain a minority administration with only 250 seats in a parliament of 520. But Congress believes a successful performance in the by-elections could encourage defections from other parties – or at the least secure its life for another year.

In addition 57 by-elections are also being held for state assembly seats across the country – thus providing the first trial of strength for the parties in the wake of the June general election.

Campaigning, which in contrast to the June elections, has been low key and without violence, ended yesterday. Apart from increasing its parliamentary strength, Congress is anxious to do well in the north where it was almost wiped out in the general election.

Correspondingly the Hindu radical Bharatiya Janata Party (BJP) – the main opposition to Congress – wants to consolidate its position in the north and gain a foothold in the south where it is barely represented.

The by-elections for the state assembly in Uttar Pradesh – the large northern state where the BJP now runs the government – will provide an important test of how far the Hindu movement has been able to extend its sway. The Congress administration has made stability and economic reform the focus of its campaign.

The most bitterly contested seat has been Amethi in Uttar Pradesh which is still seen as being a family fief of the Gandhi family. Though Mrs Sonia Gandhi, the Italian-born widow of the former prime minister, refused to stand for election, the nomination has gone to Mr Satish Sharma, a close friend and former aide of Mr Gandhi. The BJP and Mr V.P. Singh, the former Prime Minister and Janata Dal leader, have launched intensive campaigns against him.

Violent protests follow poll in northern Nigeria

RIOT police patrolled the northern Nigerian city of Kano yesterday after supporters of beaten candidates for the state governorship staged violent protests, residents said, Reuter reports from Lagos.

"The situation is tense. Mobile police have started regular patrols," said one resident in Kano, the scene last month of Nigeria's worst Christian-Moslem violence in a decade.

About 10 cars, some government-owned, were reported set on fire on Wednesday during the violence. Protests started when the Social Democratic Party announced the result of a poll to choose its candidate to stand for the civilian governorship of Kano State on December 14.

● Nigeria's military government has accused the private sector of undermining the country's five-year-old economic reform programme by engaging in fraud, Reuter reports from Lagos.

Hawke acts to curb high unemployment

By Kevin Brown in Sydney

MR Bob Hawke, Australia's Labor prime minister, yesterday responded to increasing criticism over high unemployment with a modest spending package for infrastructure and training. The package, worth A$179m (£79m) this year and A$313m in a full year, follows pressure from the Australian Council of Trade Unions (ACTU) for direct action to tackle unemployment, currently 10.1 per cent.

Mr Hawke also delivered an economic "pep talk" designed to increase confidence among the business community, which has responded sceptically to government claims that the economy is recovering from an 18-month recession.

The key elements of the package included A$130m for education and training, and A$102m to bring forward a number of infrastructure projects, including a third runway for Sydney airport. The government had earlier announced plans to speed up the approval process for major private sector infrastructure projects, with a "fast track" system overseen by a cabinet committee.

Mr John Kerin, the federal Treasurer (finance minister) said the package was the most the government could do to reduce unemployment without endangering its conservative fiscal strategy. However, some economists said the package was too small to have much influence on the economy, which contracted by one per cent in the three months to June.

Most forecasters believe figures due next month will show the economy returned to positive growth in the three months to September, but unemployment is expected to rise to around 10.75 per cent before falling from mid-1992.

Mr Martin Ferguson, ACTU president, said the package was "a move in the right direction," but it was given a muted reception by many other union leaders.

Mr Martin Easson of the New South Wales Labour Council, said Mr Hawke should have done more to assist growth industries.

The package was also criticised by some state governments, and by the Confederation of Australian Industry, one of two main employers' organisations.

Mr John Hewson, leader of the conservative federal opposition, said the package was a "vacuous" statement which would do nothing to assist the 800,000 unemployed. The financial markets virtually ignored the statement.

The Australian Stock Exchange All Ordinaries index closed 1.5 points higher at 1670.5, and the Australian dollar closed at 78.66 US cents, from 78.55. In the bond market, 90 day bills ended at 8.39 per cent from 8.4 per cent.

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AMERICAN NEWS

US consumer price inflation rate declines

By **Michael Prowse** in Washington

A DROP in US consumer price inflation last month was greeted with relief in financial markets yesterday after the shock of a large jump in wholesale prices on Wednesday.

The Labour Department said consumer prices rose 0.1 per cent – the smallest increase in seven months. The annual rate of consumer price inflation fell to 2.9 per cent, from 3.4 per cent in September.

Most analysts have concluded that the underlying rate of US inflation is gradually declining. This view was bolstered yesterday by further evidence of a stalled economic recovery, including a decline in retail sales and another jump in claims for unemployment insurance.

President George Bush told reporters yesterday that he would like to see still lower interest rates. However, after the Wednesday shock of a rise in wholesale prices, markets expect the Federal Reserve to be less willing to ease policy to spur growth.

Excluding the volatile food and energy components, the closely-watched core consumer price index rose 0.1 per cent, a sharp improvement after increases of 0.4 per cent in each of the preceding four months. The year-on-year increase in core consumer prices was 4.5 per cent.

The figures contrasted sharply with a 0.7 per cent increase in wholesale prices last month – the biggest jump in a year. Analysts cannot account for it but assume an aberration – a "catching-up" after several months of subdued wholesale prices.

The good consumer price figures last month, on the other hand, were probably misleading. The best guess is that the recession has reduced the underlying rate of US inflation by about one percentage point, from 4-5 per cent to 3-4 per cent. But further progress is possible if the economy remains weak.

Retail sales fell 0.1 per cent last month, indicating consumers are unlikely to pull the economy forward this quarter. Figures for the two previous months were revised downwards slightly. Sales of non-durable goods fell 0.2 per cent to register their third consecutive monthly decline. Department store sales were down 0.5 per cent. The figures are not adjusted for inflation.

Car sales were running at near recession levels in the first 10 days of November. Domestically produced cars sold at an annual rate of 5.7m, compared with an already weak rate of 6m in October.

Challenge to Bush from right in offing

By **Lionel Barber** in Washington

MR PATRICK Buchanan – syndicated columnist, conservative neo-isolationist and a former speech writer for Presidents Nixon and Reagan – plans to challenge President George Bush for the Republican Party's presidential nomination next year.

The prospective challenge to Mr Bush from the Republican right comes amid further signs that Governor Mario Cuomo of New York is leaning towards entering the race for the Democratic nomination. Both appear to be encouraged by Mr Bush's recent slip in the opinion polls and the continuing softness of the US economy.

This week, a Times-Mirror poll showed Mr Bush losing the election next November to an unnamed Democratic candidate. Mr Buchanan has also observed the appeal in the south of Mr David Duke, former Ku Klux Klan leader, who is running for tomorrow's election for the governorship of Louisiana.

The Washington Times reported yesterday that Mr Buchanan would enter the New Hampshire presidential primary on February 18. It quoted his sister, Angela, as saying: "It's a go." A final decision is expected during the Thanksgiving holiday this month, she said.

In an interview with the Financial Times two months ago, Mr Buchanan, 53, said he was convinced that his "America First" platform was the wave of the future.

Mr Cuomo, for his part, has launched another public attack against Mr Bush, this time for having cancelled his trip to Japan this month. Writing in the New York Times yesterday, Mr Cuomo, a heavyweight in the Democratic party, said Mr Bush had missed a chance to redress the huge trade imbalance with Japan.

Former ISC executives plead not guilty in US

By **Tom Flannery** in Philadelphia

FOUR former executives of International Signal and Control, the Pennsylvania company acquired by Ferranti of the UK in 1987, pleaded not guilty yesterday to charges including fraud and smuggling weapons and military technology to Iraq and South Africa.

Mr Robert Clyde Ivy, Mr Wayne Radcliffe, Mr Terrance Faulds and Mr Thomas Jasin made the pleas to a 75-count criminal indictment in a federal court in Pennsylvania.

The indictments, released at the end of last month, also named the ISC founder and former Ferranti deputy chairman, Mr James Guerin, five other Americans, seven South Africans and three South African corporations, including the government-owned munitions maker Armscor.

The charges against Mr Guerin and his associates resulted from a three-year US federal investigation with extensive assistance from Britain's Serious Fraud Office and Metropolitan Police.

No trial date for the defendants was set yesterday to allow their lawyers time to review the indictment.

Federal prosecutors have alleged that Mr Guerin operated an extensive smuggling operation from his Lancaster, Pennsylvania, defence contracting business from 1978 to 1989, selling more than $30m of US-made munitions and other restricted equipment to South Africa, in violation of US and UN embargoes.

Prosecutors have also alleged that Mr Guerin masterminded a $1.14bn fraud against Ferranti by gross overvaluation of real contracts and the use of bogus ones within ISC to lure Ferranti into a November 1987 merger that financially damaged the latter.

Mr Guerin was to have entered yesterday a guilty plea negotiated with federal prosecutors, but this was delayed.

Silicone breast implants 'not proved to be safe'

By **Karen Zagor** in New York

A SERIES of findings by a Food and Drug Administration (FDA) panel could herald a ban, or sharp restrictions, on the use of breast implants in the US. The advisory panel found yesterday that silicone gel breast implants made by Bioplasty and by Inamed's McGhan Medical unit had not been proved safe.

The finding came only a day after it had voted overwhelmingly against pre-market approval for two implants submitted by Dow Corning Wright and three by Mentor.

Although the FDA does not have to abide by the panel's recommendations, when early next year it rules finally on whether to allow the implants to stay on the market, the agency usually heeds the panel. The findings cover all the main US manufacturers of silicone gel implants.

About 2m women in the US have had breast implants. Dow Corning, the leading US implant maker, said sales of the devices accounted for less than 1 per cent of the company's $2bn annual sales.

When the FDA makes its final ruling on breast implants, it will have to consider growing concern about the long-term effects of the devices, such as fears that chemicals from the implants might cause cancer, birth defects and auto-immune diseases. But implants have psychological benefit, particularly when used in breast reconstruction after mastectomy.

Bristol Myers Squibb has already taken its polyurethane-coated breast implants off the market.

Mr Robert LeVler, a technical director at Dow Corning, said it still had "substantial additional data to present to the panel."

Big labour puts on a bit of extra muscle

John Gapper finds Democrats courting support at the AFL-CIO's convention in Detroit

WHEN Mrs Bernice Wilson confronted a man breaking a strike at her company, he told her she had a choice – he could take the job and earn a wage, or he could sell drugs instead; perhaps even to her children. "I just took a step back. He frightened me," says Mrs Wilson, a $4.25-an-hour stitcher at Rainfair, a clothing company in Racine, Wisconsin.

The company has hired 80 replacement workers since the dispute started in June. "I see things going downhill and I worry about my kids. It is 1991 and they are paying the wages of the 1960s," says Mrs Wilson. She has been on hunger strike for a month with two others in an attempt to force an end to the dispute.

Mrs Wilson was in Detroit this week to publicise her cause at the convention of the American Federation of Labour and Congress of Industrial Organisations (AFL-CIO). Hers was only one of many tales of hardship being told in a city suffering from lay-offs and job cuts in the ailing motor industry.

US labour, struggling to regain some of the political and industrial power it lost in the 1980s, is fighting on difficult terrain. The AFL-CIO has gained 1.2m members since 1987 but only 17 per cent of the workforce is unionised, compared with 25 per cent a decade ago.

Yet the election of a Democrat, Mr Harris Wofford, as a Pennsylvania senator just before the convention was a boost for big labour. He had campaigned on the difficulties faced by the US "middle class", many of them the skilled manual workers at the core of the AFL-CIO's 13.9m members.

Mr Wofford's victory owed much to the backing of the United Steel Workers and other unions. They supported him in a traditional industrial state where 30 per cent of workers are in unions, and helped to run his campaign.

In 1987, some Democratic hopefuls tried to avoid overt links with labour. However, the promise of union help with campaigning is now more enticing, for candidates have far more limited finances than in the past.

Thus all six of the mainstream Democratic presidential hopefuls appeared in Detroit this week to ask for AFL-CIO backing. A videotape of their debate is to be distributed to the federation's 95 member unions to help them decide whom to back.

For its part, the AFL-CIO has much to gain from a president friendly to labour. It made some difficult advances against fierce employer hostility in the late-1980s. Despite the decline of manual unions organising in manufacturing, groups such as the International Service Employees managed to gain members.

Lane Kirkland: Drawing a line not to be crossed

Innovative ideas such as the Union Yes recruitment campaign, backed by endorsements from celebrities, have helped limit the steady decline in union density – the proportion of a workforce in a union.

Unions with a history of violence and corruption, such as the Teamsters, have been forced into reform. Unions in general are enjoying their highest ratings in opinion polls since the late-1960s, and their members are paid on average 36 per cent more than non-union workers.

Some unions have also done deals with companies to improve training and employee involvement, particularly in the car and steel industries. However, the United Steel Workers was blamed this week by Sir Robert Scholey, chairman of British Steel, for the collapse of the company's joint-venture talks with Bethlehem Steel.

Mr Lynn Williams, USW president, argues that the economy has been damaged by legal "tilting of the bargaining table" away from unions. He rejects Sir Robert's charge that the USW remains "in the cave". The Bethlehem talks were over "a complicated set of issues, which they [British Steel] were not prepared to address in a serious way," he says.

Although many non-union workers say they would like to join, employers have managed to exclude unions through aggressive tactics. This has led to stronger calls from union leaders for a direct legislative dividend from the Democratic party. The test issue in Detroit this week was employers' growing habit of sacking striking workers and hiring replacements.

Mr Lane Kirkland, AFL-CIO president, referred to support for the Workplace Fairness bill, which prevents worker replacement, as "our line in the sand" for the Democratic hopefuls. The bill is awaiting Senate debate, having being passed 247-182 by the House of Representatives, but a veto from President George Bush awaits.

Five of the six candidates publicly backed the bill in Detroit. The exception was Mr Paul Tsongas, former senator from Massachusetts, who has emphasised partnership between the party and business. The most vociferous supporter was Senator Tom Harkin of Iowa, who railed against "scab-hiring, union-busting" employers.

He appears to offer the best early hope for the AFL-CIO of a repeat of 1983, when it managed a united endorsement of a clear pro-labour presidential candidate in Mr Walter Mondale. It will try to avoid the protracted debate of 1987, when its leaders endorsed Governor Michael Dukakis after he had been made the candidate.

John Gapper is a Harkness Fellow of the Commonwealth Fund, New York

WORLD TRADE NEWS

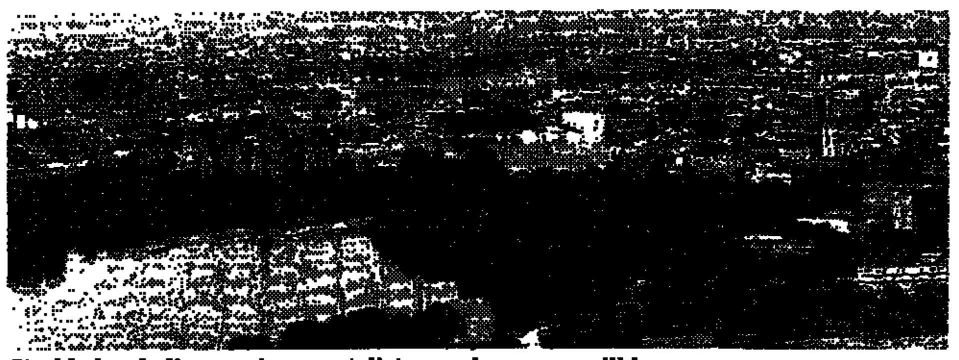
Hotel centre project tests strength of Swedish desire for foreign investment

Japanese tower looms over Stockholm

By **Robert Taylor** in Stockholm

A CONTROVERSIAL plan for a SKr3.2bn ($534m) hotel and conference complex in Stockholm, to be built jointly by Swedish and Japanese companies, has become a test of the country's wish to attract investment from Japan.

The decision on whether to grant planning permission for its construction is expected from Stockholm city council by next month. But the Japanese companies in the consortium, frustrated by the lack of progress, are threatening to pull out of the project if it does not receive the go-ahead.



Stockholm skyline: environmentalists say skyscraper will be an eyesore

The so-called Norrtull centre has already suffered a year's delay, mainly because of party political wrangling between those who see it as a welcome investment and others who argue it will ruin the skyline.

What exasperates the Swedish companies involved in the consortium – Skanska, the giant construction group, Wasa mutual life insurance company and the Gadelius trading company – is that the original idea for a Japanese-style hotel project came not from Tokyo but from Stockholm politicians who visited the Japanese capital in 1986 in the search for investment in their city.

Japanese companies were then slow to react, but two years later All Nippon Airways took up the Stockholm suggestion in alliance with the Industrial Bank of Japan, the hotel group ANA Enterprises and the Kajima corporation.

A consortium was formed and plans drawn up for the massive scheme. There has been much toing and froing on the project but no final decision yet.

Mr Carl Erik Hedlund, chairman of Wasa, says rejection of the project would deal a serious blow to the prospect of future inward investment to Sweden not just from Japan but from other countries too. "The Japanese are growing impatient," he says. "They can't understand why there should be any more delays."

He can understand their exasperation. "Many people don't realise just how important this project is. If it does not secure approval it will be a signal to the Japanese that Sweden cannot deliver on its promises," he argues.

The plan is for a five-star hotel run on Japanese lines and a business service centre aimed at Japanese businessmen. Mr Hedlund calls the complex "Little Japan". Stockholm may be 8,170km away but it is also the nearest large European city by direct air-route to Japan. Nippon Airlines is talking about flying 250,000 Japanese a year on this route for holidays or business trips in Europe.

By 1997, when it is hoped the complex will have been finished, Mr Hedlund believes Stockholm could be the "gateway to Europe" and northern Europe's business centre. According to the government's timetable, Sweden will be a member of the European Community by then, adding to the attraction of the project.

The trouble is that the site for the planned project lies on the edge of Haga royal park, one of Stockholm's beauty spots and the environmentalist lobby – strong in the city's complex politics – says the 24-storey tower block involved in the project will be an eyesore.

The place the Norrtull centre would occupy consists now of a car park and two garages, only a stone's throw from the Wenner-Gren centre, a skyscraper built in the 1960s which is also visible from the Haga. But the consortium likes the site at what is in effect the northern entrance to central Stockholm, near the main highway to Arlanda airport.

There is no suggestion that resistance to the project is motivated by any anti-Japanese feeling. But there is growing criticism among city planning and environmental groups about what they see as a danger to one of Europe's most picturesque cities.

'Asia will gain most if Uruguay Round succeeds'

THE world's developing countries would benefit from any liberalisation of world trade stemming from successful completion of the long-stalled Uruguay Round of trade negotiations, but "the total effect is not likely to be massive", a report* from the London-based Overseas Development Institute (ODI) said yesterday, David Dodwell writes.

Developing countries as a whole could see a 3 per cent gain in exports, the study concluded, with main benefits going first to countries in Asia, then to Latin America, and only patchily to the poorest countries, mainly in Africa and the Caribbean. Imponderables could boost this gain to 6 per cent, or depress it to 1 per cent, it adds.

"This seemingly modest increase may not seem to justify arguments that failure to reach a settlement would be a serious setback for the developing countries," says Ms Sheila Page, main author of the 64-page study.

On the contrary, she argues, the study may underestimate potential gains because cautious assumptions were made, and because liberalisation could trigger reforms that enhanced trade more dynamically.

The study also ignored the potentially negative impact of failure of the Uruguay Round on world trade, including greater protection on a national or regional basis.

Asia would gain most, the study concludes, mainly because of a substantial boost to textile trade for countries such as Pakistan and Bangladesh following liberalisation of the Multi-Fibre Arrangement (MFA). Latin American countries would get a lift from reform of farm trade. Those countries which have participated most actively in the Uruguay Round negotiations in past five years have, perhaps unsurprisingly, most to gain.

"Advantages tend to be clearest for the most advanced countries, which have services to offer and greater possibilities of attracting increased investment," Ms Page argues: "Low-income countries lose more from the trade diversion which occurs because of the removal of [preferential treatment]."

* *The Gatt Uruguay Round: Effects on Developing Countries, by Sheila Page, Michael Davenport and Adrian Hewitt. Published by the Overseas Development Institute. Price £12.50.*

GEC-Marconi in £90m deal to sell torpedoes to Turkey

By **John Murray Brown** in Ankara

GEC-MARCONI signed a sales agreement with Turkey on Monday to supply torpedoes for Turkish submarines, the first important UK defence sale in Turkey for over a year.

The deal, which could be worth as much as £90m ($160m) in repeat orders, comes at a time when Turkey, a member of the North Atlantic Treaty Organisation, is re-equipping its ageing fleet.

The sale is 75 per cent backed by the UK's Export Credits Guarantee Department (ECGD), with the balance provided through commercial loans. The agreement was signed by Sir Geoffrey Pattie, head of GEC-Marconi, to coincide with the opening of Turkey's Third International Defence and Aviation Equipment exhibition.

Turkey's military, while reducing its armed forces from 600,000 to 350,000 men, wants to upgrade technologies such as communications, electronic warfare and defence systems. Defence experts say there are also contracts to be won refitting existing equipment.

But companies are concerned Turkey's new coalition government will seek to cut spending in line with efforts at budget discipline. Already, there is talk of consolidating the budget of SSM, the state procurement agency, which is now funded from special levies on imports and services.

The Marconi deal is the second export order for its sonar-guided Tigerfish torpedo, following a similar deal with Brazil. The torpedo, able to be used against submarines and surface vessels, will be mounted on Turkey's new class of German-built Type-209 submarine.

Toshiba joint venture with China

By **Robert Thomson** in Tokyo

TOSHIBA, the Japanese electronics company, yesterday announced a joint venture in China to manufacture electric and electronic components which are difficult to make in Japan because of the country's serious labour shortage.

The joint venture company, to be based in Hangzhou, will have a capital of of Y700m ($5.4m) and be owned 78 per cent by Toshiba and 22 per cent by Hangzhou Machinery and Electronic Development.

Production is expected to begin next May, with Toshiba's traditional Japanese suppliers of electronics parts sending technical staff to train Chinese workers in plastics moulding and other skills.

The output, estimated at Y900m next year and Y7bn annually by 1996, will be shipped to Japan for testing and then be used by Toshiba, which, like many other Japanese companies, faces a serious problem of staff shortages at its sub-contractors.

"In deciding on the investment, Toshiba considered the relatively short distance between Japan and China, and the latter's abundance of a qualified workforce. For Toshiba and the participating suppliers, the venture will ensure stable supply of parts which require labour-intensive operations," the Japanese company said.

The investment is Toshiba's second in China. The first, for producing electric equipment and parts, was established in September in of Dalian.

China looks the other way as Korean business grows

Yvonne Preston sees Beijing showing its old pragmatism

AT the mouth of the Bohai gulf, in the special economic zones of Yantai and Weihai, China's growing trading relationship with South Korea, is much in evidence.

China is one of the few remaining countries still to stand behind North Korea, which has traditionally hated the South as a lackey of the American imperialists, but the old "closer than lips and teeth" friendship is no longer exclusive. The comparative success of recent high-level talks between North and South, aimed at easing four decades of hostility, indicate Chinese pressure on Pyongyang's "Great Leader", Kim Il Sung, to adjust to change in the region where the cold war is ending – if more slowly than elsewhere.

North and South Korea signed an accord in Pyongyang in mid-October and will meet again in December in another step towards reunification.

China's old leaders are reluctant to part with the North Korean president, with whom they have had a long association. Their views are coloured by memories of the Korean War, in which China fought alongside the North and lost close to 1m men.

But business is business and the South Korean presence on the coastal tip of the Shandong peninsula is now everywhere to be seen - in the proliferating signs in Korean, the Korean restaurants, and the Korean language menus in the coastal hotels.

Weihai's Mansions Hotel has an Office of Economic Relations and Trade with South Korea, although Zang Hai Qiang, the mayor of Weihai, when questioned by visiting foreign journalists, affected to know nothing about it.

An overnight passenger ferry now runs between Weihai and Inchon, Seoul's port, also only reluctantly acknowledged by provincial officials, and there are direct shipping services between Pusan and Inchon and four Chinese ports.

Local cadres hide behind for*mula answers describing trade* relations between the two countries as "people to people" and "non-governmental". The mayor of Yantai said he thought there was some trade but it was conducted at sea.

Their coyness stems from the fact that China has no formal diplomatic ties with South Korea. Nevertheless, two-way trade reached $3.8bn last year, and should top $4.5bn this year, foreign observers say.

Although inhibited by lack of diplomatic protection, South Korean companies are also investing in China – textiles, electronics and foodstuffs. More open than most Shandong officials, the mayor of Qingdao, the port on the Yellow Sea, acknowledged the fact. He said Qingdao investment largely came from Hong Kong but noted a growing tendency for South Koreans to invest. They had put $18m into Qingdao, $40m worth of projects had been approved, and there was substantial growth potential.

Serious political changes are needed before China can put its semi-official relationship with South Korea on a more secure diplomatic footing. Japan and the US must first recognise North Korea and there must be a formal rapprochement between North and South Korea.

These political changes, *until recently dreams, are pre*requisites for fully exploiting the whole region's enormous economic potential. In the meantime China shows its old pragmatism when it comes to matters of trade and making money by giving the nod to unofficial "private" business between the two countries, while keeping up pretences with its fading ally Kim.

WORLD TRADE NEWS

Chemical sectors give lead to Gatt on tariffs deal

By William Dullforce in Geneva

THE CHEMICAL industries of the European Community, the US and Canada have agreed that customs duties on pharmaceuticals should be abolished and import tariffs on chemicals should be harmonised at a "moderate" level of 5.5 per cent or 6.5 per cent.

A unique trilateral framework agreement, worked out over the past two years and submitted to negotiators in the Uruguay Round trade talks, was made public yesterday by Cefic, the European Chemical Industry Council. The agreement is backed by the US Chemical Manufacturers' Association and the Canadian Chemical Producers' Association.

The industrialists have reached common positions in areas where governmental negotiators are still at odds. They propose, for instance, that tariffs on fertilisers and dyestuffs be cut to 6.5 per cent. In the Gatt talks demands for zero tariffs on fertilisers from the US and on dyestuffs from the EC have been stumbling blocks.

World trade in chemicals and pharmaceuticals amounted to $262bn (£152bn) in 1989 but countries impose widely varying import charges, in some cases keeping them high in order to protect infant industries.

Mr Raymond Charbonnel of Rhône Poulenc, chairman of the Cefic trade policy committee, said the industrial associations hoped that its framework agreement could serve as the basis for compromises in the negotiations on market access in the Uruguay Round, where a cut of one-third in tariffs is the overall target.

The Japanese participated in the industrialists' discussions but in the end backed out of the agreement "for procedural reasons", according to Cefic. They were apparently reluctant to accept a reduction to 6.5 per cent in tariffs on petrochemicals and plastics, where they fear South Korean competition.

EC chemical manufacturers stress that the trilateral agreement will work only if enough other "current and future" main producing countries accept it. In addition to the three protagonists, 21 countries are listed as targets. They include India, Brazil, and newly industrialised countries such as South Korea and Mexico.

Transition periods to encourage these countries to join are provided for in the agreement. Five years would be allowed to bring current tariffs of 10 per cent or less down to 5.5 or 6.5 per cent.

Tariffs between 10.1 and 25 per cent would be cut to 6.5 per cent over 10 years; those over 25 per cent would be allowed 15 years to reach the same level.

In the Gatt talks the abolition of tariffs on pharmaceuticals products is now seen as a feasible target.

The EC, the US and Canada want a zero tariff to be applied as well to intermediate pharmaceuticals used to make the products.

They set a 5.5 per cent tariff as the objective for non-organic chemicals.

Land Rover wins case in Brazil on trademark

By Victoria Griffith in São Paulo

ROVER, the UK car group, has won an important victory in the legal dispute over the Land Rover trademark in Brazil. On Wednesday evening, a Brazilian judge ordered Land Rover Brazil, UK Rover's legal adversary, to stop using the Land Rover trademark and to pay a fine of nearly $1.2m (£690,000) to the Rover Group. The fine is equivalent to 30 per cent of every car Land Rover Brazil has sold.

The battle between the two companies erupted when the Rover Group attempted to register its trademark in Brazil in October last year, only to discover that Mr Hilton Pereira, a Brazilian businessman, already had legal rights to the name.

Rover hopes to use its São Paulo base from which to sell vehicles all over South America.

It is also studying a manufacturing venture which could lead to production in Brazil of up to 18,000 Land Rovers a year from 1993.

The venture, if its main objectives are achieved, will require the use of a high-level of Brazilian-sourced components, and will represent Land Rover's first integrated overseas manufacturing venture.

Judge Otavio Rodrigues said when making his decision that "a national company can not use a well-known international trademark, for cars it does not make, creating a misleading situation for consumers."

Rover's trademark, registered in Brazil in 1956, ceased to be valid due to lack of use.

Hills at a press conference after the talks in Seoul yesterday

Asia-Pacific states make pledge on Uruguay Round

By John Ridding in Seoul

A MEETING of trade and foreign ministers from the Asia-Pacific region closed yesterday with a strong commitment to achieving success in the ongoing Uruguay Round of world trade talks despite significant differences on the issue of agricultural market liberalisation.

In a joint declaration, the 15 members of the Asia Pacific Economic Co-operation, which includes the US, China and Japan, expressed determination to conclude the Uruguay Round which they described as "the most critical economic issue facing the international community".

But the statement masked substantial differences. In particular, South Korea is increasingly isolated in its demands that rice be excluded from agricultural liberalisation on the grounds of non-trade concerns such as food security. Japan has also sought to ban rice imports on these grounds, but is now thought to be moving towards a compromise. Mrs Carla Hills, US trade representative, yesterday rejected the exclusion of any products from market opening. "If we start exempting certain products then we are on a steep downward slope," she said.

Mrs Hills emphasised the benefits to South Korea of a successful conclusion of the Uruguay Round and said that failure to reach an agreement on agriculture would lead to a failure of the round as a whole.

"We would hope that neither Japan nor South Korea would want to be remembered in history as the countries which blocked the Uruguay Round", Mrs Hills said.

Japan sends out signals of compromise on rice imports

The day is approaching when Tokyo will be forced to open its most protected market, writes Robert Thomson

JAPANESE leaders have mentioned the unmentionable. The words have been as indistinct as the often ambiguous Japanese language will allow, but the meaning has been clear – the government will inevitably make a concession on the closed rice market.

Since taking over as prime minister last week, Mr Kiichi Miyazawa has made several vague statements which have implied that Japan will need to compromise on rice imports as part of an agricultural package in the Uruguay Round of multilateral trade negotiations under the General Agreement on Tariffs and Trade.

Japanese government officials and members of the ruling Liberal Democratic Party (LDP) had agreed privately a year ago that the ban would be lifted, but the ongoing dispute between the US and EC over trade in agriculture had taken the pressure off Tokyo to announce the politically-sensitive decision.

But the new-found willingness of EC and US negotiators to compromise and the rise of Mr Miyazawa, regarded as an "internationalist", have rekindled the rice debate in Japan, and brought closer the day of the clear and unequivocal announcement of a rice market opening.

The two outstanding issues are the timing of that announcement and the form of the opening. Several Japanese ministers have insisted this week that "tariffication", the replacement of the ban with a tariff schedule, is unacceptable, as it would commit Japan to a continued opening of the market.

One opposition party, Komeito ("the clean government party"), is so daunted by the issue's conflicting interests that it is officially withholding its opinion on tariffication. That statement muddying its policy followed controversial hints from the party's leader that he supported tariffication.

Japanese officials are hopeful of convincing other members of the Gatt that the almost spiritual quality of rice in Japan makes it a "special case", one that should be exempt from rules applying to mere commodities.

It is understood that they will propose that an initial limit of 3 per cent be placed on imports, with the figure expanding to 5 per cent, perhaps over 10 years.

Washington has not demanded that Tokyo lift all restrictions on imported rice and sees the opening as more a symbol than a source of large profits for US farmers, who will be competing against cheaper Asian suppliers.

But with Japan's trade surplus on the rise, the final debate on rice will centre on whether 3 or 5 per cent of the 10m-tonne market is an appropriate starting point, and on the timing of import expansion.

While Japan's agriculture ministry insists that the rice market will remain forever closed, it has already done a few calculations on the impact of an opening.

About 2.67m ha of land is used for rice cultivation, and a 5 per cent opening would force the reduction of 100,000ha – the figure is small in comparison to the 830,000ha of traditional rice land switched to other crops over the past two years, but any opening, regardless of the size, will have a large political impact.

Japanese farmers' associations are aware that an opening is inevitable, but they have been able to muster 50,000 protesters in a Tokyo stadium and to unnerve the LDP, which faces an Upper House election next summer.

At a meeting on Wednesday between LDP and government officials, the party representatives reportedly said that "the Uruguay Round may be important, but next year's election is more important".

The Japanese government wants some international credit for the politically painful decision to allow imports, and the earlier an announcement is made, the more credit will be due.

But LDP officials argue that negotiators should wait until the dying moments of the Gatt round, when it will be obvious that Japan is under extreme international pressure.

The logic is that Japanese farmers will have less reason to complain if the government is seen to have defended staunchly their interests, and that the LDP will lose fewer votes at the next election.

Ideally, this compromise should come after the votes are tallied next year, giving the party time to compensate farmers for their losses.

Mr Miyazawa is personally troubled by this dilemma. He would like Japan to take a larger role on the international stage, and yet an announcement that would be useful for the multilateral negotiations could shorten his career at the top in Tokyo.

Those pressures suggest that his well-meaning statements will remain vague for the time being.

Swedish companies tackle east Europe food problems

A CONSORTIUM of leading Swedish companies is being formed to establish and administer joint food production and distribution schemes in the Soviet Union and eastern Europe, it was announced yesterday, writes Robert Taylor in Stockholm.

The aim is to invest up to SKr1bn (£94m) over the next three to five years provided that the Swedish government can provide credit guarantees and contributions through a planned aid programme.

The partners in the new venture are the Axel Johnson trading group; the packaging and dairy product company Tetra Pak Alfa-Laval and Sweden's farmers federation the LRF. All have long experience of operating separately in eastern Europe. The three companies want to work on the creation of combined production-distribution-retail systems.

LRF will invest in improvements to farming production techniques. Tetra Pak Alfa-Laval intends to give a high priority to the construction of dairies and slaughter houses, and Axel Johnson will concentrate on distribution.

Peugeot enters race for plant in Malaysia

PEUGEOT, the French car maker, has entered the race alongside Japan to bid for the right to establish a second car manufacturing plant in Malaysia after Proton, the national car built jointly with Mitsubishi, writes Lim Siong Hoon in Kuala Lumpur.

The Malaysian government has been looking into allowing another plant, but for building a lower capacity range of cars to avoid direct competition with Proton.

Proton's 1.3 and 1.5 litre range of cars has 60 per cent of the 140,000-a-year passenger car market, which has grown by more than 30 per cent on average in the past three years.

Daihatsu has already received the government's agreement to consider its proposal to build 1.0 litre cars or smaller. Peugeot is the first western car maker to ask for similar consideration; its proposal is expected in two months.

However, Ms Rafidah Aziz, the minister for international trade and industry, said Peugeot's proposal, even if accepted, would receive no guarantees of special treatment, such as the import tariff exemption given for Proton's early production.

Burmah Castrol in Soviet joint venture on lubricants

BURMAH Castrol, the UK oil company, has signed a joint venture agreement with the Volgrograd Oil refinery in Russia to produce lubricants for distribution in the Soviet Union, writes John Lloyd in Moscow.

The agreement, the first of its kind between a Soviet refinery and a Western oil company, will put locally-produced Castrol oil in Soviet shops and filling stations this year. The company hopes to build up to a production of 50m litres a year, about the size of its UK market, within five years. A consortium formed between Castrol, the German group, Thyssen, the Japanese company, Marubeni, and the Finnish Neste trading company will upgrade the refinery to produce the higher quality oil. It will, at least initially, all be sold on the Soviet market.

Under the agreement, Burmah Castrol will market the oil at Rbs45 a litre – more than 20 times the present state price of Rbs2 a litre.

On the Moscow currency exchange, the rouble traded this week at nearly 100 to the dollar.

●FT Conference on World Electricity

Competitive power market in EC needs clear guidelines

By Juliet Sychrava

AN ENERGY market is no substitute for an energy policy, Mr Nicholas Argyris, director of the EC energy commission's internal energy market task force, told the FT World Electricity Conference in London yesterday.

The advantages and disadvantages of a competitive electricity market in Europe was a central theme of the conference. Speakers welcomed the creation of a competitive market in the UK, but emphasized that it still faced significant problems.

In particular, it was uncertain whether a competitive market would encourage generators to invest in the right kind of generating plant for the long-term.

The market was "a necessary but not a sufficient condition" for achieving a sustainable, secure and environmentally benign supply of energy for the Community, Mr Argyris said. It was also essential for the EC to introduce policies, such as a carbon tax, and new technologies which promote environmental energy use.

The electricity sector was still a long way short of the internal market the EC would like to see, he said, with monopoly suppliers and trading restrictions remaining in many member states.

An important EC goal was to allow all electricity suppliers access to all customers in all countries – a principle known as "third party access".

Mr Argyris's view that competition would not threaten a secure electricity supply was questioned by Mr Ing Rolf Bierhoff, board member of the German utility RWE Energie AG. While competition had clear advantages, Mr Bierhoff said, it could mean introducing heavy regulation to protect electricity customers and guarantee a safe supply of power.

Competition could work to the disadvantage of small customers, who might not be in a position to negotiate for lower prices, and threaten wise, long-term investment by generators, forcing them to build plant with a short construction time and capital payback period. The decision to introduce competition had to be taken in a political context, allowing governments to examine the trade-off between competition and a secure supply of energy for the customer, Mr Bierhoff said.

Mr John Uttley, finance director of the UK's National Grid Company said he believed the UK example showed that trade arrangements could cross national boundaries, but agreed that the British government still had to decide to what extent it would leave the market to resolve itself, and to what extent it would introduce more regulation.

The NGC wholeheartedly supported the principle of free access to the national grid, Mr Uttley said, and he believed there were no insuperable barriers to "third party access". One of the most pressing problems in a competitive market, UK speakers agreed, was protecting the small customer, and ensuring the right kind of long-term investment. They also queried the recent surge of investment in new gas-fired power stations in the UK. These were backed by regional electricity companies who were able to sign long-term agreements to buy the power from the stations, because they had a captive domestic market which would buy the power.

Mr Kurt Yeager, senior vice-president of the US Electrical Power Research Institute, said new generation technology would be critical in allowing economies to grow and use more electricity, while meeting environmental needs.

By the end of the 21st century, he said, the world should have moved away from carbon-based fuels to more sustainable resources, such as nuclear and renewable energy. By the year 2050, 36 per cent of generating capacity would be nuclear, 30 per cent advanced coal plants, 23 per cent renewable energy sources, 7 per cent natural gas plant, and 4 per cent conventional coal-fired plant, he suggested.

BCCI: BEHIND CLOSED DOORS

'Watchdogs who did not bark'

BCCI thrashed the Bank of England by eight wickets. As they came off the field, a Bank official was heard to mutter: "That's not how you set about trying to get a banking licence."

PART SIX

The line-up of watchdogs looks impressive: the regulators, an impressive board of BCCI directors and two top-rank firms of accountants. So how did they fail for so long to tame a bank which had earned the nickname of the Bank of Crooks and Cocaine International?

The top cricket competition in the City of London's calendar is the Sir Cyril Hawker Trophy, which is open to any bank in London.

In 1984, as luck would have it, the Bank of England and BCCI were drawn against each other. The fixture came at a time when the Bank was resisting BCCI's efforts to obtain a full UK banking licence. The Bank, aware of BCCI's reputation even then, had only granted it the lower status of a deposit-taker.

The game took place at the Bank's elegant grounds in Roehampton, a middle class London suburb close to the River Thames. BCCI fielded its formidable Pakistani talent and thrashed the Bank by eight wickets.

As the sides came off the field a losing player muttered: "That's not how you set about trying to get a banking licence".

The episode typifies BCCI's relationship with banking regulators around the world – a match played by an arcane set of rules, in which, for years, the visitors beat the home team hollow and left them feeling cheated, frustrated and helpless.

To BCCI's unsuspecting customers, the Bank of England must have seemed the safest of watchdogs to guard their interests. But there were two other watchdogs:

- A distinguished board of directors, with experienced non-executives apparently in a strong position to oversee management;
- Two leading firms of accountants auditing separate parts of the group.

How did these watchdogs fail, for so long, to tame a bank which had left a trail of tell-tale signs?

In the public world, shaped by newspaper headlines, rumour and bankers' instincts, BCCI was the bank that smelt bad, and few cared to touch it. In the tightly-drawn regulatory world, where reality is shaped by hard fact and small print, BCCI was seen as a bank with a knack for disaster, through incompetence rather than fraud.

Time and again the regulators had opportunities to check BCCI's advance. Some they took – but many more they did not.

Agha Hasan Abedi, the bank's founder and president, went to great lengths to complicate the regulators' task: splitting the bank, amoeba-like, into dozens of small, slippery components. He went to extraordinary lengths to disguise its true ownership.

BCCI's regulators could not claim to have been unaware of its dubious reputation. In the 1970s, US watchdogs made strenuous efforts to prevent BCCI buying a US bank (unsuccessfully, as it proved, because of BCCI's resort to subterfuge). European officials queried its lack of a home base and the mystery surrounding its shareholders.

They made repeated attempts to get BCCI to reshape itself so that its activities could be controlled in one place or, at least, in one piece. Abedi never came up with workable proposals, and the regulators could not force him to – there was no law that said he had to.

In 1980, BCCI tried to move up in the London scene by negotiating a lease on one of the City's most prestigious buildings, on the corner of Lombard Street directly opposite the Bank of England. Gordon Richardson, the governor at the time, heard of the plan and was appalled. By twitching his eyebrows in the right direction, he ensured that the lease did not go through.

But the stand-offish attitude of the regulators also worked in BCCI's favour. While only three countries – Australia, Portugal and Saudi Arabia – refused it entry, dozens of others let it in. This enabled BCCI to claim that it was one of the most heavily regulated banks in the world. In reality, no single country was ready to take full responsibility for it, and BCCI became like a giant game of pass-the-parcel.

Officially, Luxembourg was in charge, because BCCI was registered there. But the tiny Institut Monétaire Luxembourgeois could not cope with a bank of BCCI's size. The Bank of England, whether it liked it or not, was in the supervisory front line. BCCI did its biggest business in the UK and the Bank had a large supervision department to handle it. Abedi also gave out to the world at large that BCCI was a UK bank, even though this was not technically correct.

In 1985, Pierre Jaans, the Luxembourg regulator, suggested that BCCI set up a company in the UK so that the Bank could become its chief supervisor. But the Bank, alarmed by the recent treasury fiasco in which BCCI lost at least $633m discouraged the idea.

The result was that no single central bank authority had overall control of BCCI.

As for the board, the regulators – like everyone else – drew comfort from the fact that it included four experienced western bankers: Yves Lamarche from Bank of America; Cliff Twitchin, who prided himself on being the youngest branch manager of his day at Martins Bank; Dick van Oenen, a Dutchman, also from Bank of America; and Alfred Hartmann, a leading Swiss banker who holds many positions, including vice-president of the Rothschild Bank in Zurich and president of the Swiss arm of the Royal Bank of Scotland.

But they were, at best, remarkably unquestioning about BCCI's affairs. Board minutes show that they frequently and unanimously approved many of the bank's largest questionable loans - sometimes, it seems, after they had been made.

Insofar as the minutes are a reliable, witness, there is little evidence that they asked tough questions about lending practices.

At a notable meeting on August 25 1988, when BCCI was in a perilous state after Abedi had suffered a heart attack and the bank's auditors were becoming concerned about problem loans, the minutes state simply: "The board reviewed the balance sheet, and the queries raised were suitably answered".

Later, in October 1990, when those same loans had reached crisis proportions and Price Waterhouse said the bank would need $1.5bn just to survive, the directors merely "expressed concern and puzzlement" and proposed writing to Price Waterhouse "seeking further clarification".

Asked by the FT how senior BCCI executives managed to keep their financial manipulations from the board for so long, Dr Hartmann said: "They were a very close management group who were all together before they started BCCI."

He said he could not explain how the manipulations escaped the audit. "The figures they produced for the board always looked right, they looked very good, as they had been audited by a prime company we always relied on those figures."

If there was a moment when BCCI's ultimate fate might first have been glimpsed, it was in 1987, when two events led to its being brought under closer scrutiny.

One was the decision by BCCI's regulators from eight countries to pool their efforts in a "college". It was a well-intentioned move which finally brought under a single regulatory eye all the bits of the BCCI empire which Abedi had carefully tucked away in dark corners.

But the college was mainly concerned with technical questions and ultimately proved ineffective. At a meeting shortly after the Tampa money laundering indictment in October 1988, the college was told that 72 major banks had suspended credit lines, cutting BCCI off from vital flows of cash. This was clearly a serious threat to BCCI's existence, and the regulators examined it closely. But there was no discussion about whether BCCI was fit to be a bank if it tangled with drug pedlars. That was left to national regulators.

The college also did nothing to bring BCCI under tighter central control. If anything, it did the opposite by ensuring that each college member felt only one-eighth responsible.

Another important event which put BCCI under scrutiny was its switch to a single auditor. The auditor's job is to company accounts and vouch for their truth and fairness. This does not include an obligation to hunt for fraud, though the accounting institutes require them to report serious examples.

Until 1987, the firm of Ernst & Young had audited the Luxembourg arm, Price Waterhouse the Caymans. This was conveniently confusing from Abedi's point of view. But E & Y were unhappy about the opaqueness it caused. In 1986, they also wrote to Abedi listing a raft of serious concerns: the directors were not scrutinising management closely enough, power was concentrated in too few hands, management skills were deficient, and systems and controls were poor.

E & Y told Abedi that it would decline to be re-appointed unless it was given the whole group to audit and BCCI did something about its management style and systems. This forced Abedi to change policy and choose between the two firms.

Price Waterhouse got the job. It celebrated this soon-to-be bitter victory on the front page of its house journal, the Reporter, under the headline "Bank Gain".

"This is a major appointment and we see BCCI as a highly prestigious client which will provide exciting and challenging opportunities to many offices throughout the Price Waterhouse world," the Reporter said. Price Waterhouse was to earn $4.7m in fees from BCCI worldwide in 1988, its first full year as sole auditor.

Price Waterhouse went into the job with its eyes open. It had seen E & Y's letter to Abedi. But it also knew from its own experience that BCCI would be a tough assignment.

In the past, its recommendations to the board had been ignored. And it had been fed lies by the management. For example, in May 1986 Naqvi told Price Waterhouse that BCCI's loans to the Gulf group amounted to $172m when, as we now know, they totalled more than double that at the time. Price Waterhouse was also prevented by local bank secrecy laws from obtaining details of accounts in BCCI's subsidiaries in places like Switzerland and Kuwait which, it later transpired, were major channels for fraud.

In 1988, Abedi's heart attack and BCCI's involvement in the Tampa drug money case created further distractions. But as late as April 1989, Price Waterhouse was still some distance from the truth. It still took the view that BCCI's problems were confined to a few large accounts, mainly the loans to the Gulf group and to the people who were acting as fronts for BCCI's illicit US acquisitions (though Price Waterhouse did not know this at the time).

When, a year later, the truth about the loans began to emerge, Tim Hoult, the partner on the BCCI audit, told the board that Price Waterhouse had been unable to assess the full scope of the problem earlier "because of a lack of information".

That began to change towards the end of 1989. By then, Price Waterhouse had been group auditors for two years, and started to get a grip. A note of aggressiveness now appears in its dealings with the bank. Naqvi's evasiveness and his conspicuous failure to deal with the problem accounts produced a growing atmosphere of mistrust.

At the end of 1989 it was clear that BCCI was in dire financial straits. Chris Cowan, another partner on the audit, told Naqvi in February 1990 that he would not sign off the 1989 accounts until a long list of questions had been answered. "I am concerned about the number of outstanding issues on major accounts", he wrote in a letter.

It was around this time that Price Waterhouse also made its first big breakthrough. Probing into the stack of ill-documented and dubious accounts, Price Waterhouse came across evidence which suggested that loans to the Gulf group had been manipulated in the Caymans and elsewhere. But what happened next is not clear because of sharply conflicting versions of events – perhaps unsurprisingly, since this is possibly the first documented moment when fraud came to light.

Masihur Rahman, the chief financial officer who was in charge of BCCI's accounts, says he received an urgent telephone call from Cowan in early March 1990, seeking a meeting the next day. Here, Cowan and two colleagues told him they had found "evidence of fraud, illegal activities as well other major irregularity, false documentation and false accounting".

Rahman says that the senior partners present said that losses ran into "hundred of millions of dollars, possibly up to one billion."

However, another authoritative version of this meeting – and another the next day – portrays them as less highly coloured. By this version, Price Waterhouse told Naqvi and Rahman that they had concerns about various sets of accounts. But no loss figures were attached to them. Instead, the main result of the meeting was an agreement that the bank would set up a special task force to look into Price Waterhouse's points of concern.

This task force consisted of a number of BCCI executives, including Rahman. It was told to get to the bottom of BCCI's bad debt problems and report back as soon as possible. Until they did, the 1989 accounts could not be closed.

Price Waterhouse prepared a briefing paper for this investigation summarising its concerns.

Although this document carefully avoids outright suggestions of wrongdoing, it is dotted with signs of questionable practices – all relating to billions of dollars of BCCI's biggest problem loans: critical information missing on problem credits, loans presented for board approval only after they had been made, misleading information from management and evidence that loans were being "parked" with other banks to conceal their existence.

Two recorded borrowers with $270m denied having any loans at all. Price Waterhouse also asked the task force to assess "the genuineness of transactions", a clear sign that it suspected that some of them might be fake.

But the task force turned out to be a pointless exercise. It concluded that there were indeed problems, but recommended the relatively minor (in light of what was to follow) provisions of $229m and described the rest of the bank as "very normal".

Price Waterhouse debated long and hard about how it should proceed. Was the wise watchdog one that barked – but frightened off the crooks in the process? Or was it one that crept to the telephone and dialled for the police?

Price Waterhouse decided on the second course. It produced a report for the board which spoke of "false or deceitful" transactions, but stopped short of using the word fraud. Officially, Price Waterhouse continued to take the view that BCCI's basic problems were due to poor management rather than wrong-doing. Indeed, this was probably its genuine view as well, since because at this point Price Waterhouse had only found evidence of one of four substantial frauds that lurked in BCCI's murky depths.

However, under UK banking law auditors are permitted to go behind their clients' backs to share information with the regulators, and Price Waterhouse used this right. The FT has ascertained that Price Waterhouse passed on its suspicions to the Bank of England in March or April, (although Price Waterhouse's partners went to some lengths to avoid being seen in Threadneedle Street, to avoid alerting BCCI).

The Bank was already, at this stage, deeply alarmed by BCCI's fast-worsening financial state. Bad loans were soaring, the capital strength of the bank was weakening, and management was displaying signs of great imprudence. Mr Brian Quinn, the director of banking supervision, had seen reports which suggested that drastic action was going to be needed to prevent a catastrophe.

Price Waterhouse's evidence raised the question whether it warranted regulatory action. "It was like seeing two dead fish floating down a river," said one official who was closely involved. "You did not know how serious a problem you were looking at."

After considering the evidence, the Bank of England took the view that BCCI's fraud was not fundamental to the bank but was only an "isolated incident", according to a later statement by the governor, Robin Leigh-Pemberton. It was not enough to warrant pressing the "nuclear button" and closing the bank for good.

The regulators might have taken a different view if they had not been far more worried at the time about the danger of BCCI collapsing altogether. "The bank was like a lorry careering out of control, about to hit the rocks," said an official. "What Price Waterhouse told us was a red light on the dashboard telling us something was wrong."

When Abu Dhabi offered to bail out BCCI with a $2.2bn package at the end of April, the regulators heaved a great sigh of relief and approved the deal.

As part of the arrangements, Abu Dhabi said it would reorganise BCCI and transfer its headquarters to the Gulf. It also promised an investigation into BCCI to get to the bottom of its loan problems and clear up the irregularities identified by Price Waterhouse.

The transfer, on BCCI's private jet with the knowledge of its auditors, included the shipment to Abu Dhabi of BCCI's voluminous files, at the heart of which lay the vital evidence which was eventually to lead auditors to the fraud.

At this point, it looked as if BCCI might finally be embarking on a new existence. In reality, it had only 14 months to live.

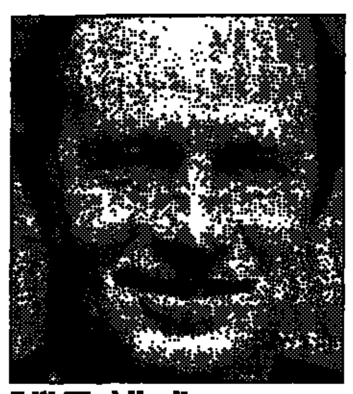
Who said what, when . . .

Gordon Richardson

- Governor of the Bank of England until 1983, he was uneasy about BCCI's dubious background and reputation. In 1980 he refused to grant BCCI a full UK banking licence and later blocked its attempt to lease a prestigious City of London office building.

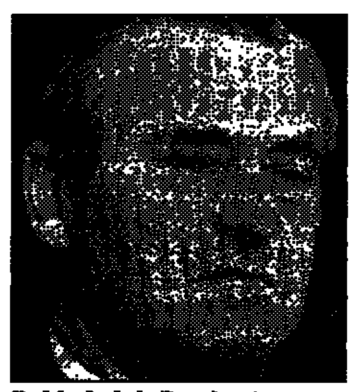
Masihur Rahman

- A career banker with BCCI and chief financial officer, Rahman says he was kept in the dark about fraud. But he maintains that the auditors failed to pursue the evidence aggressively enough. In early 1990, he claims Price Waterhouse presented him with signs of fraud and illegal activities on a large scale.



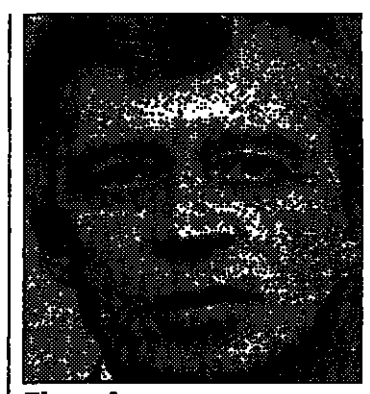
E W (Tim) Hoult

- Price Waterhouse's partner in charge of the BCCI audit, he gives "lack of information" as the reason why his firm was prevented from tracking problem loans earlier. But from March 1990 onwards, PW had evidence pointing to the first of BCCI's four major frauds.



Robin Leigh-Pemberton

- Bank of England Governor from 1983, he made several attempts to bring BCCI under tighter regulatory control. He believed the early evidence of fraud pointed to an isolated incident but in the end, was responsible for initiating the inquiry which led to BCCI's shutdown last July.



Pierre Jaans

- The banking regulator in Luxembourg, where BCCI was officially based, lacked the means to supervise the bank and tried unsuccessfully to get it to incorporate in a country like the UK with stronger supervisory machinery. Eventually he told BCCI to leave altogether.

Action – and the lack of it

- **1976:** New York regulators turn down BCCI's attempt to buy a New York bank.
- **1978:** A US court affidavit shows that Bank of America, a 30 per cent shareholder of BCCI, is critical of BCCI's lending. This is one of the earliest documented signs that all is not well at BCCI.
- **1980:** Bank of England turns down BCCI's request for full UK banking licence.
- **1983:** International banking supervisors in Basle are so concerned about BCCI that they make special arrangements for dealing with anomalies in a new responsibility-sharing agreement.
- **1985:** Treasury fiasco. Auditors fail to uncover fraud, and Bank of England approves BCCI's decision to transfer its treasury from London to Abu Dhabi.
- **1986:** Ernst & Young, auditors of BCCI's holding company, write to Abedi complaining about excessive management power, and weakness of BCCI's systems and controls.
- **1987:** Basle supervisors from eight countries form a college to oversee BCCI. BCCI board forced to appoint a single auditor.
- **1988:** BCCI is indicted for money laundering in Florida.
- **1990:** Price Waterhouse uncovers false or deceitful practices. Tells Bank of England. Regulators approve a bail-out by Abu Dhabi to save BCCI from what they consider to be the graver threat of collapse. No specific fraud inquiry launched. US and Luxembourg give BCCI deadlines to move its operations.
- **1990:** Bank of England told Palestinian terrorist accounts held by BCCI.
- **November 1990:** Auditors seize Naqvi's private files detailing fraud.
- **1991:** January: Bank of England is told of $600m of unrecorded deposits.
- **March:** Bank commissions Price Waterhouse report which leads to the shutdown in July.
- **July 5:** Shutdown.

BEHIND CLOSED DOORS

■ Written by David Lascelles with contributions from Richard Donkin, Alan Friedman, Christina Lamb, Richard Waters, Richard Tomkins, Bernard Simon, Chris Tighe, Jimmy Burns, James Buxton and Stephen Fidler

■ Tomorrow: The final hours

UK NEWS

Interest rate cut in doubt as signs of upturn grow

By Peter Norman, Peter Marsh and David Owen

THE CHANCES of an early reduction in British interest rates receded yesterday as sterling weakened on foreign exchange markets and better than expected unemployment figures pointed to growing signs of economic recovery.

Official figures showing the smallest monthly rise in unemployment for more than a year in October and an unexpected increase in capital expenditure by manufacturing industry in the third quarter encouraged ministers to say the recession was ending.

This view was endorsed by the Bank of England's latest quarterly bulletin which detected growing "signs of a modest but sustainable upturn" in the economy. But the Bank also warned that the "consistent application of counter-inflationary policies" would be needed to bring UK inflation down to the levels of Britain's competitors in the European Monetary System.

The combination of yesterday's generally upbeat economic news with a drop in sterling to the bottom of the EMS exchange rate mechanism greatly reduced the chances of an early cut in bank base rates from 10.5 per cent despite expectations that the retail prices index for October, which is due today, will show the annual rate of inflation dropping below 4 per cent.

Sterling fell by one pfennig in London trading against a generally strong D-Mark to DM2.8950, its lowest closing level since mid-February. Besides worrying about sterling's position in the EMS, the Bank is concerned that the base rate cuts from 15 per cent in October 1990 have built up forces for expansion that could countermand its anti-inflationary efforts.

Seasonally adjusted unemployment rose last month by 15,700, which was well below the City's expectation of an increase of about 45,000 and below a revised rise in September of 32,300. It brought the adjusted jobless total 2.47m, or 8.7 per cent of the workforce, as against 8.6 per cent in the previous month.

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EUROPE

Major to seek mandate on Emu

By Ivo Dawnay, Political Correspondent

MR JOHN MAJOR will use next week's House of Commons debate on Europe to *demand a vote of confidence* from Tory MPs, aimed at giving him a clear mandate to negotiate an agreement on European economic and monetary union (Emu).

The government's motion is intended to force the party's sceptics and anti-Europeans to choose between backing or rejecting the prime minister's negotiating stance and defying a mandatory party vote.

Yesterday, senior ministers were discussing how exactly to word the motion for debate in such a way as to disarm doubters and force the most dogged opponents of any concessions to the UK's community partners out into the open.

Several draft motions are said to have been rejected at a special meeting of the Cabinet yesterday after government business had been completed.

A minister close to the drafting process said last night that it had been decided to take the unusual step of publishing the official version today to allow for the maximum public discussion before the two day debate begins next Wednesday.

Major: 'nothing to fear'

While the motion would not spell out the government's precise negotiating hand, it would set out "the general approach *and principles*" underlying Britain's strategy at the crucial heads of government summit in Maastricht next month.

By proposing a substantive motion, as opposed to holding a general debate without a specific text, the government will also force the Labour and Liberal Democrat parties to put down amendments spelling out their differences with the prime minister.

At question time yesterday, Mr Major again signalled his positive approach to the summit, in words that paralleled his *Guildhall* speech earlier in the week. "I see no reason for us to be fearful of developments in the Community," he said. "It is often an opportunity not a risk."

Under attack from the opposition benches, he accused Labour and the Liberal Democrats of being prepared "to sign up indiscriminately on anything." But he then went on to add that "the majority of people in this country want to make a success of our membership of the Community."

Meanwhile, the Labour leadership has agreed a policy document on European political union that is understood to go substantially further than the government on a series of issues related to the powers of the European Parliament.

A rebellion from the Labour's left-wing Campaign Group failed to materialise yesterday, however, with the bulk of the faction declining to sign a symbolic motion opposing the party's pro-European stance.

● *Later last night, Mr Douglas* Hurd, the foreign secretary, used a speech to his West Oxfordshire constituents to warn that Britain would resist moves towards a Community-wide immigration policy. Immigration and asylum problems should be dealt with primarily by national governments working in co-operation with each other, he said.

Revised CAA pricing formula will allow rail link and terminal to be built at airport

Way cleared for Heathrow projects

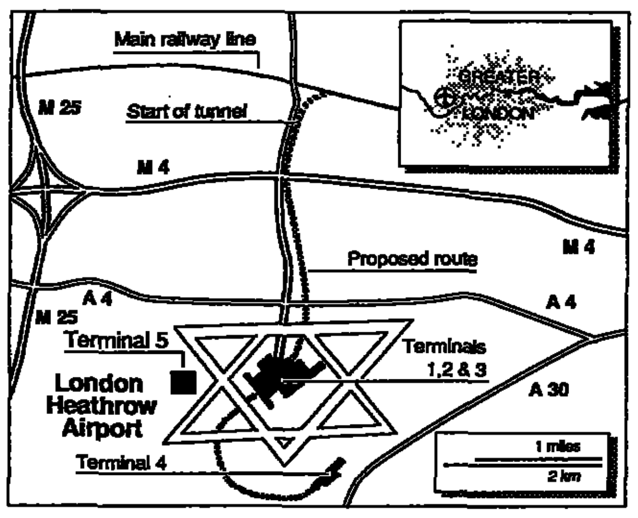
By Paul Betts, Aerospace Correspondent

BRITAIN'S Civil Aviation Authority (CAA) has revised its controversial new pricing formula for BAA's London airports *clearing the way for the* former British Airports Authority to launch more than £1bn worth of new investments at Heathrow airport.

These include plans to build a fifth terminal at Heathrow by the end of the decade and a £300m express rail service linking Heathrow to central London by 1995.

Sir John Egan, BAA's chief executive, warned that the airport operator would have to reconsider its long term investment plans when the CAA first announced in July a tougher than expected new five year pricing regime for BAA's airports in south-east England.

Although the Mergers and Monopolies Commission (MMC) recommended a new five year pricing formula for annual changes in airport charges of retail price inflation (RPI) minus four points, the CAA proposed a more stringent regime of RPI minus eight points.



After intense consultations between BAA, airlines and the regulatory authority, the CAA is expected to announce on Monday a new five year pricing system starting next April making provisions in the formula for BAA's long term investment programme.

Both the new terminal at Heathrow and the express rail link from the airport to central London station are regarded as crucial investments to help ease growing congestion at Heathrow and improve access to the crowded airport.

The announcement of the revised CAA pricing formula will coincide with BAA's interim results due on Monday.

The City expects BAA to report pre-tax profits of around £130 and £140m including provisions of about £50m compared *with pre-tax profits of* £205m in the first half of last year.

Traffic at BAA's airports, however, has now recovered with the company reporting this week its busiest October on record with its airports handling 6.6m passengers last month, an *increase* of *1.9* per cent on october 1990.

BAA received a further boost this week with the decision of European finance ministers to postpone the abolition of duty free sales in the EC until 1999. European duty free sales currently account for about £55m of BAA's annual revenues.

BRITAIN IN BRIEF

Tax fraud worth £1.1bn uncovered

Frauds and mistakes worth £1.1bn in Value Added Tax declarations were discovered by inspectors last year, and much more may have gone undetected, according to a report published yesterday by the National Audit Office.

The report on the accounts of Customs and Excise and Inland Revenue by Mr John Bourn, the Comptroller and Auditor General, who oversees *the examination of* government accounts, also revealed that VAT arrears had jumped more than half to £1.5bn at the end of 1990, and the amount of general tax written off during the year by the Inland Revenue had increased by 9.5 per cent to £501.1m. The increases were blamed *on the effects of* the recession.

Customs and Excise, which carries out spot checks on businesses' VAT declarations, found non-declarations ranging from £300 to £3,800 per half-day visit. The £1.1bn total resulted from inspections of *fewer than 25 per cent of* traders, and is the equivalent of more than £647 for each of the 1.7m registered traders in the UK.

Lucozade to return on sale

Lucozade, the health drink withdrawn from the market amid fears of contamination, is expected to be back on sale in Britain's shops within a few days. SmithKline Beecham, which makes the health drink, *said yesterday that it* was taking advice from the police about the timing of its re-introduction after the withdrawal of five million bottles threatened with contamination by the Animal Liberation Front.

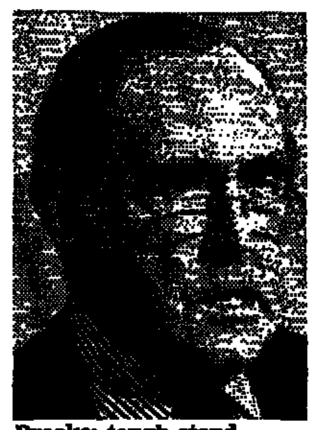
Seven men and three women have been arrested and released on bail.

Ulster police strengthened

Mr Peter Brooke, Northern Ireland secretary, has announced that the strength of the Royal Ulster Constabulary is to be increased by 441 officers.

The announcement came less than 24 hours after IRA terrorists murdered four Protestants in Belfast in the worst night of violence in the province for some time.

The increase in police strength did not stem directly from the latest incidents but went a little way to assuaging demands from Unionist MPs for a tougher stand against terrorism, Mr Brooke said.



Brooke: tough stand

A Catholic taxi driver was *shot in Belfast* yesterday, certainly in retaliation for the IRA murders the night before.

BR introduces simulators

A *£1m aircraft-style simulator* designed to give train drivers experience of emergencies has been introduced on British Rail's busiest sector, Network SouthEast.

The French-designed simulator will help to teach more than 600 drivers to operate new suburban trains being introduced from next spring.

Soviet aid investigated

The Foreign Office is investi*gating the reported funding of* the Morning Star and Pergamon Press by the Soviet Communist Party, according to Mr Douglas Hogg, foreign office minister. He has asked the British embassy in Moscow to obtain copies of documents released to the Congress of People's Deputies.

Heseltine criticises French

The British Government is dismayed at the delaying tactics of the French Government in holding up the choice of location for the EC's new European Environmental Agency, according to Mr Michael Heseltine, Environment Secretary.

He also said there were divisions of opinion within his own department about the shape of the new UK national environment agency which has been proposed by the Government.

In long negotiations between EC environment ministers the French have made it clear that they will not agree a site for the European agency until there is agreement on whether the European Parliament should remain in Strasbourg.

Appearing before the all-party House of Commons Environment Committee, Mr Heseltine accused the French of deliberately using the location of the agency as a bargaining counter to retain the Parliament on French soil.

Brussels to amend directive

The European Commission has agreed to amend a controversial clause in a draft directive on "Young People at Work" *which had threatened to out*law the British paperboy and papergirl.

The government and the Newspaper Society, the provincial newspapers employers' body, complained that the effect of the Commission's unpublished draft would have been *to make it impossible for* children of school age to continue working as paperboys or papergirls.

Mr Tony Blair, Labour employment spokesman, is claiming credit for the amendment which removes the words "either before or . . ." from the sentence "work may not be carried out either before or during school hours".

Car production falls by 27.4%

UK car production in October fell heavily by 27.4 per cent, the third sharp monthly fall in succession. Despite the deep recession in the domestic new car market, UK car output has previously been sustained this year by a big jump in production for export markets.

THE LOCKERBIE INVESTIGATION

Debris of Pan Am 103 points to Libyan killers

By George Graham in Washington

ON December 21, 1988, an explosion ripped apart Pan Am Flight 103 in the skies over Lockerbie, Scotland, killing 259 passengers. Eleven more people died as the debris hit the ground.

The explosion triggered a multinational investigation that US law officers describe as "unique in law enforcement history," culminating yesterday in the simultaneous filing in Scotland and the US of charges against two Libyan secret service agents.

"This was the largest terrorist investigation ever conducted," said Mr William Sessions, the director of the Federal Bureau of Investigations.

Mr Robert Mueller, US assistant attorney general in charge of the Justice Department's criminal division, described the painstaking search for evidence that culminated in yesterday's indictment.

After searching an 845 square mile area over which debris from Flight 103 had fallen, Mr Mueller said, investigators found a fragment smaller than a fingernail that they were able to trace to a particular model of Toshiba radio-cassette player.

They then worked out which pieces of clothing had been packed in the same suitcase, a brown Samsonite Silhouette 4000, as the radio-cassette player.

In one of these pieces of clothing, forensic investigators discovered a fragment from another circuit board.

This circuit board was used in a limited series of 20 timers supplied by the Swiss firm of Meister & Bollier to the Jamahariya Security Organisation (JSO), Libya's secret service.

The indictment states that in 1985 Mr Said Rashid Kisha, assistant manager of the JSO technical administration, asked Mr Edwin Bollier of Meister & Bollier to develop timers to the JSO's specifications.

In 1985 and 1986, Meister & Bollier delivered 20 prototypes of this Model MST 13 timers to Mr Izzel Din al Hinshiri, one-time Director of the Central Security Administration of the JSO.

Forensic scientists were also able to trace the clothing packed around the Pan Am bomb to Malta, and from there were able to piece together the way the bomb was placed on Flight 103.

The US indictment charges two JSO agents, Mr Lamen Khalifa Fhimah, representative of Libyan Arab Airlines at Luqa Airport in Malta, and Mr Abdel Basset Ali al-Megrahi, chief of the JSO's airline security section, with destroying Flight 103 by means of explosive and killing the US passengers on board.

The cargo container which exploded

"The defendants and co-conspirators, as officers and operatives of the JSO, utilised the resources and facilities of the nation of Libya, including the JSO, to carry out their scheme to destroy an American aircraft by means of an explosive device and to kill passengers on board the aircraft."

The indictment remains silent on who ordered the bombing, but Mr Mueller said he had no evidence that this was a "rogue operation" carried out without orders.

US investigators say Mr Lamen Fhimah, from Suk Giuma, Libya, stored a quantity of Semtex plastic explosives in his office at Luqa Airport during the summer of 1988.

On or about December 7, Mr Abdel Basset, flew from Libya to Malta, checking into the Holiday Inn at Sliema and describing himself as a "flight dispatcher" for Libyan Arab Airlines.

He bought clothings from Mary's House, a retail store about 300 yards away from his hotel.

Mr Abdel Basset then travelled to Zurich, returning to Libya via Malta around December 17. He was joined there by Mr Lamen Fhimah for a meeting on or about December 18, and both men returned to Malta on December 20.

There, they bought the brown Samsonite suitcase and packed it with the timer up to 14 ounces of plastic explosive.

The next day, using stolen Air Malta baggage tags, they introduced the suitcase-bomb into the inter-airline baggage system as unaccompanied luggage on Air Malta Flight KM-180 to Frankfurt, in Germany. From there, it was transferred to Pan Am Flight 103A, which connected in London with Flight 103 to New York.

Mr Mueller said the bomb was triggered by the timer.

Both Mr Lamen Fhimah and Mr Abdel Basset are now believed to be in Libya, but Mr Mueller said the Justice Department still hoped that they would one day face trial.

"We have no extradition treaty with Libya but we hold out hopes of obtaining the individuals," he said.

Mr Jay Stephens, US Attorney for the District of Columbia, argued that the indictment had to be brought, even if the two men charged are not immediately within range of US or Scottish justice.

"While the terrorists who committed this brutal massacre may have planned it well, they made the mistake of under-estimating our determination," he said.

Mr William Barr, the bag-pipe-playing lawyer whose nomination as Attorney General is now being considered by the US Senate, said that the investigation "is continuing and will be pursued unrelentingly until all responsible are brought to justice."

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A policeman surveys the wreckage of Pan Am 103, allegedly destroyed by two Libyan agents (inset)

Col Gadaffi returns to haunt US

By Lionel Barber, US Editor in Washington

COL Muammer Gadaffi is back. The indictments against two Libyan intelligence officials in connection with the bombing of Pan Am 103 have set the US, once again, on a collision course with the Libyan leader.

Just five years ago, former President Ronald Reagan dispatched F-111 bombers to raid Tripoli in retaliation for a terrorist attack against a Berlin night club. In words which in retrospect look premature, the US boasted that it had put Col Gadaffi "back in his box".

In the past 12 months, Col Gadaffi has been superceded in Washington demonology by President Saddam Hussein of Iraq. President Bush, who has tended to assume that the Libyan leader thrives on publicity, has followed his instinct and left him alone.

Col Gadaffi played no role in the Gulf War. His assessment of US military power proved a good deal more accurate than that of Mr Saddam or indeed the Palestine Liberation Organisation. But US officials said yesterday the Libyan leader has been active in several areas of concern to the US.

In Africa, Col Gadaffi helped to arm guerilla forces which overthrew the governments of Liberia and Chad.

US officials have also become alarmed again about Libyan efforts to develop chemical weapons, mainly via the notorious Rabta chemical complex near Tripoli. US officials have concluded that the reported fire at Rabta in 1990 was a hoax and it is now believed to be producing nerve and mustard gas.

Nor has Mr Gadaffi lost his appetite for supporting subversive groups around the world. Although he temporarily curtailed funding for a number of terrorist groups, these moves appear in Washington's view to have been aimed at lulling the West into complacency.

A growing number of administration officials have been pressing Mr Bush's foreign policy team to recognise that Col Gadaffi continues to pose a threat to regional stability.

The indictments announced yesterday make it much more likely that these voices will be heard, though the great unknown is how far Libya was acting in concert with others such as Iran or Syria. Justice Department officials said yesterday they had no direct evidence of a link, but this may not satisfy critics in the US.

Indeed, before the Justice Department news conference, relatives of the Pan Am victims appeared on television demanding retaliation. One claimed President Bush had vowed revenge if the inquiry's results identified perpetrators.

Mr Bush, who is much less of a unilateralist than his predecessor, seems unlikely to take precipitate action like the air-raid ordered by Mr Reagan. He must also calculate the effect on his efforts to promote peace between Arabs and Israelis in the Middle East.

In the short-term, therefore, Mr Bush will sound out the degree of allied support for pressure or sanctions against Col Gadaffi, possibly turning to the UN for further support.

Mr Bush has one weapon of last resort: federal laws passed in reaction to terrorist attacks against aircraft, cruise ships and US facilities overseas, authorise US agents to capture suspects charged with terrorist acts and return them forcibly the USD to stand trial.

UK adopts cautious approach to accusations

BRITAIN is unlikely to take any precipitate diplomatic or military action to try to force a positive Libyan response to the Lockerbie bombing accusations, foreign officials indicated last night, writes Jimmy Burns and David Owen.

By rejecting unofficial reports that both Iran and Syria may have had something to do with the Lockerbie disaster, Britain also made it clear that it wanted to minimise the impact of yesterday's announcement in view of wider considerations in the Middle East.

"Our first step is to press for the surrender of those accused by informing Libya of the arrest warrants and hoping that they will comply. At this stage we are not planning to do anything else, " said one Foreign Office official.

Prior to yesterday's announcement, Britain has already made it clear to Libya that there could be no improvement in relations between Libya and the UK until there was convincing evidence that Colonel Gadaffi's government had ended its support for terrorism.

The view was conveyed in no uncertain terms this summer when the Foreign Office rebuffed an attempt by Libya to improve relations by the proposed donation of £250,000 to a police charity and an apology for the murder of Policewoman Yvonne Fletcher outside the Libyan embassy in London seven years ago.

In the House of Commons yesterday, government and opposition were mostly in agreement that the ball rested in Tripoli's court, and that further action needed to be considered at a later stage.

In the case of Syria and Iran, the foreign office is keeping one eye on the changing power-play in the Middle East following the Gulf War.

It is also only a few weeks ago that it publicly expressed its gratitude to the two countries in helping to secure the release of the hostage Mr John McCarthy.

BUSINESS FOR SALE

SEMINARS

LEGAL NOTICES

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
EUROWRAG LTD (Formerly [illegible] Metal Reclamation Services Ltd)

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 27th November 1991 at 12 noon for the purposes provided for in Section 98 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.

Dated this 11th November 1991
H. J. McGough, Director

IN THE MATTER OF [illegible] LTD AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 11th November 1991.

Dated this 12th November 1991
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

TECHNOLOGY

French test for cutting car bodies

Paris-based Sciaky Industries is looking for a car manufacturer prepared to take a risk. Georges Sayegh, research and development director, is convinced that his company's laser method of welding car bodies can bring technical and economic advantages. But car companies have yet to take up the idea.

Sciaky is a specialist in car welding lines. Last year 80 per cent of its FFr520m (£52m) turnover came from building car welding machinery.

The company's latest laser welding technique is intended for use in the first step in the assembly of the car body, known as the framing operation. The main body components are fixed in position by applying about 100 spot welds. The resulting body is sufficiently robust to continue along the assembly line.

The problem facing car manufacturers is that current production outputs require that this operation is completed in less than one minute. The solution today, says Sayegh, is to use conventional electric resistance welding techniques and robots.

As many as 10 robots are necessary to complete the 100 spots within a one-minute cycle because of the time taken for the robot to change position. Thus, the robotic solution involves an investment of more than FFr12m, while Sciaky's laser-based approach costs less than FFr10m, and prices are dropping.

Central to the new solution is a single high-powered laser beam which is directed at each of the 100 spots to be welded. The other vital element is the distributor which manipulates the beam under computer control. There is very little that can wear or break down using the laser solution whereas with robots the welding electrodes have to be replaced regularly.

While laser welding is already widely applied in car manufacture, it has never been used in such a critical area as the framing operation where a short breakdown would cause havoc. No individual aspect of the Sciaky approach worries car manufacturers, says Sayegh, but they would all rather not be the first to take the risk.

Anna Kochan

Steven Butler examines Pioneer's efforts to improve the sound quality of compact discs

All ears on the music

One of the more distressing aspects of owning a hi-fi system is the knowledge that better equipment can always be had by spending more money.

Because listening to music is such an intimate experience it is easy to feel betrayed by the equipment on which so much money has already been lavished, and which has brought so much genuine pleasure.

It is therefore with some regret that I have to report that Pioneer Electronic, the Japanese audio specialist, has improved upon the compact disc player. Strangely enough, it has done this by managing to reproduce sounds that only your dog can distinguish.

Ever since CDs were introduced in 1982, the debate has raged over whether CDs produced better sound than traditional long-playing record albums made of vinyl. The CD, in which music was picked up in digital form by a tiny laser, was supposed to be the "perfect" music medium, and many reviewers initially greeted it that way.

The CD reproduced music that was apparently free from distortion and with almost no background noise. Gone was speaker hiss or rumble. The dynamic range of the music was broader: bass and treble alike suddenly seemed more distinct. And the medium itself was pleasant – smaller than the LP record, and CDs did not deteriorate with use.

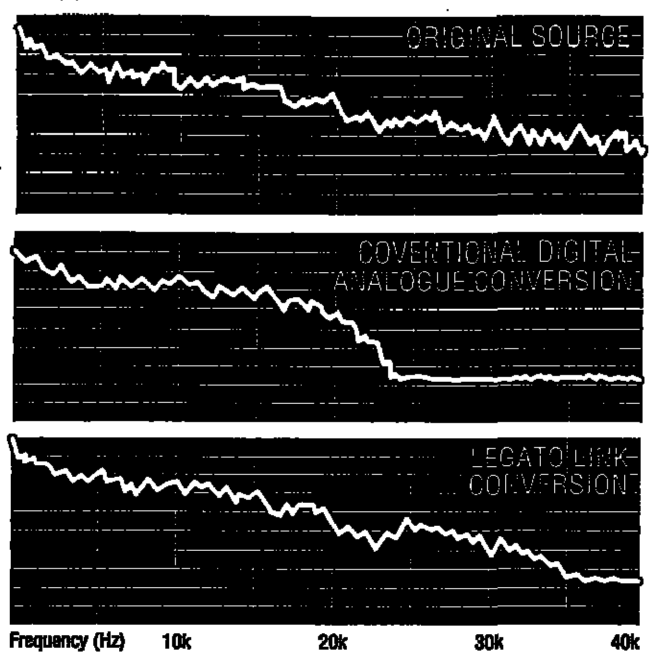
In spite of the higher cost of CDs compared with LP records, the medium caught on quickly among consumers and the vinyl record is now an endangered species in the market.

Even so, a small but determined group of audiophiles from the start has insisted that LP records sounded better, more natural and closer to the real thing than CDs. The CD, they argued, sounded harsh, unrealistically clear and unnatural.

In order to outdo the CD, it may have been necessary to purchase an expensive, high-quality turntable and to take good care of records, but the end result was potentially a higher quality of music reproduction. Inconvenience, and even expense, were of little matter.

Pioneer has taken these complaints to heart. Next month in Japan, and next year overseas, Pioneer will begin to market what it calls its "Legato Link Conversion" system in an effort to make the sound of CDs more natural.

The process of making CD recordings consists of taking analogue signals produced by microphones, converting them into digitalised binary codes and storing them on the CD. A CD player picks up these digital codes and reconverts them to analogue signals before pumping them through an amplifier and into speakers.



When the original CD format was determined, engineers decided to exclude frequencies above 20kHz even though these frequencies were abundantly present in natural music. Cutting the frequencies at this level would ease the information processing burden on the system and in any case humans could not hear the "sound" produced by such high frequencies.

Tomoyasu Yamada, an engineer at Pioneer who worked on the Legato Link Conversion, says that in retrospect cutting off the frequencies at 20kHz was a mistake. In the intervening years it has been learned that even though these high frequencies are not audible in the usual sense of the word, the ultra-high frequencies influence the way music is heard.

The ear-drum itself can resonate up to 90kHz. Scientists have found that high frequencies produce alpha waves in the brain, which indicate relaxation. Individuals, it turned out, could sense the high frequencies even though the frequencies are not experiences as sound *per se*. In music, exclusion of the higher frequencies produces a harsher, more penetrating feeling. "Even though they can't hear it, people know," says Yamada.

The Legato Link Conversion is an integrated circuit which processes the digital signal from a CD and infers the high-frequency harmonics originally present in the music. The result is, instead of a sharp frequency cut-off at the 20kHz level, a gradual tailing off of high frequencies that is more akin to natural sound.

It is clearly not an exact reproduction of the original high frequencies, and Yamada does not claim this. But the reintroduction of the higher frequencies makes a difference in the sound quality.

Pioneer has rigged up a CD player in which the Legato Link Conversion can be switched on and off for comparison. When the circuit is switched on the music does sound subtly different. It is slightly softer, more natural, and generally more appealing – closer to the real thing. It is one of those difficult-to-put-your-finger-on sensations but real enough over a long period of listening to create a significant difference in listening experience.

It is a reminder of just how subtle audio perceptions can be. The differences in musical experience do not really even require that a listener be able to distinguish between the lack of, or presence of, high frequencies, any more than the average diner needs to be able to distinguish wine vintages to enjoy one bottle more by the end of meal.

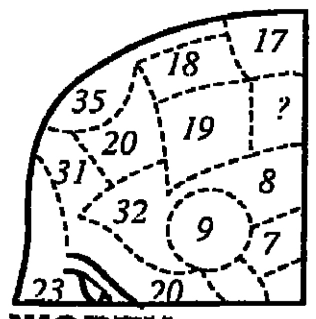
Yamada does not expect the new circuitry to eliminate all the audio advantages of the LP record, which has the original ultra-high frequencies on it already. But, he says: "At the moment the Legato Link Conversion is the best solution."

An even better solution would be to redesign the format of the CDs themselves, a task that may be technically feasible without making all existing equipment obsolete.

It will have to be left to hi-fi specialists to compare the new Pioneer device with the competition. The electronic crunching and reassembling of digitalised musical signals is in itself a highly unnatural process. Different processing methods lead to subtle differences in audio quality that may be more important than Pioneer's new circuitry.

It is none the less plain that Pioneer is on to a good idea. Wadia, the ultra high-price audio specialist in the US, introduced equipment about three years ago with a similar idea. Pioneer's first offering, at Y360,000 (£1,560) for its top-of-the-line CD player, brings the facility much closer to the reach of audio enthusiasts.

Pioneer says it will gradually introduce the circuitry into its more pedestrian machines, a process that will undoubtedly be speeded up should other companies develop similar devices.



WORTH WATCHING

by Della Bradshaw

Cash machines never run dry

FEWER cash machines in the high street will run out of money once a new generation of automated teller machines (ATMs), launched by NCR Corporation this week, finds its way into branches, writes David Barchard.

NCR says that its Fourth Generation Self-Service systems are three times more reliable than existing machines and are available for service up to 99.9 per cent of the time, giving ATM users steady access to cash and account information.

The system management packages supporting these ATMs are designed to offer better control of the self-service network, while a set of built-in alerts should warn the bank of imminent hardware problems though an integrated diagnostic system.

The systems have been designed to allow banks to use terminal and host software from existing ATMs.

There are six different models ranging from "hole-in-the-wall" machines to vestibule models which also dispense envelopes, print statements, and update passbooks, and two models which do not supply cash but answer interest rate queries and provide other account queries.

Computer screen before your eyes

A TINY visual display unit, which appears to float just two feet in front of the eyes, could enable maintenance or production engineers to follow computer-generated instructions or graphics while keeping both hands free for their task.

Manufactured by Reflection Technology, of Waltham, Massachusetts, the Private Eye, which weighs just over two ounces, is held in the user's line of sight by attaching it on to a headband or hard hat using a rigid arm. The display creates the full-sized image of a 12-inch monitor.

Emms, of Liphook, Hampshire, is selling the unit in the UK with a colour graphics adaptor board to enable product developers to devise applications for the mini-screens. Emms believes the display could be incorporated into units with radio links, so the "wearer" could get access to files from a remote computer, using either a mouse or voice activation technology.

The unit could eventually be incorporated into "wearable" PCs, to enable patients to carry out cardiac analysis or engineers to monitor gas or fluid pressures.

New camcorder sees double

A CAMCORDER with twin lenses, enabling the amateur photographer to take both zoom and wide-angle shots, will be available internationally from March next year.

Developed in Japan by Sharp, the Osaka-based electronics company, the VL-MX7 uses the 8mm video format, in which the tapes are smaller than the standard VHS ones. This means the machines can be held in one hand. It weighs just 900 grams including battery and tape. However, to play back the tape the camcorder itself has to be plugged into the television set – the tape cannot be removed and used in a VHS videorecorder.

As well as enabling the movie-maker to take wide angle and zoom shots, a "picture in picture" facility enables two shots to be recorded simultaneously.

Plastics resist electric shock

THE market for plastics that conduct electricity will more than double in the next five years, according to a report from Frost & Sullivan, the New York-based market research consultant.

Such polymers will prove popular in the electronics equipment market, to prevent electromagnetic radiation escaping from the proliferation of equipment – from computers to mobile phones.

Today metallic or conducting paint is often used to line the cases of the equipment. But if conductive polymers were used instead, an extra step in the manufacturing process could be eliminated.

The report concludes that between 100,000 lbs and 200,000 lbs of the material will be produced by 1996.

Smart cards in the launderette

WASHDAY blues are set to be alleviated in Japan with the first use of smartcards in the laundry industry.

Each of the pre-paid cards, which will be sold to laundry customers, will contain 1 Kbit of erasable read only memory (EEProm). When the customer takes the garment to be laundered the card is inserted into the reader attached to a computer terminal. This records the articles and prints out a label to be attached to the load. When the garments are returned from cleaning, the bar-code on the label can be read to collate the records. The cost of the laundering is automatically deducted from the smart card.

The system has been developed by Citizen Watch, of Tokyo, in collaboration with card-maker Natec, of Osaka, which will be marketing it from the end of November.

Keeping warm down under

HELP could be at hand for those who find that even the thickest layers of bedding still do not keep out the winter chills. A South Australian sheep station, in conjunction with the Commonwealth Scientific and Industrial Research Organisation (CSIRO), has devised a way of treating merino wool to make it suitable for quilts.

Wool quilts have been unpopular in the past because they are heavy and the filling does not fluff up as well as polyester or down. To solve this, CSIRO's wool technology division has added heated polyester to specially treated merino wool. The polyester becomes hard as it cools, fluffing up the wool so that air can be trapped between the fibres to act as insulation.

Contacts: NCR: UK, 071 725 8337. Reflection Technology: US, 617 890 5905. Emms: UK, 042876 241. Sharp: Japan, 06 621 1221; UK, 071 493 8258. Frost & Sullivan: US, 212 233 1080; UK, 071 730 3438. Citizen Watch: Japan, 03 3342 1231. Bungaree Station: Australia, 088 42 2577.

FT LAW REPORTS

Liquidators need not disclose record to Serious Fraud Office

RE ARROWS LTD
Chancery Division:
Mr Justice Hoffmann:
October 29 1991

THE SERIOUS Fraud Office's right to demand information for a fraud investigation can be restricted by the court to the extent that it is outweighed by an overriding public interest in secrecy. And accordingly, on ordering the examination of an officer of an insolvent company for the purposes of a liquidator's enquiry into its affairs, the court may direct that the record of the examination must not be disclosed to the SFO if the SFO would have nothing to lose by non-disclosure and if, without the direction, the examinee would be unlikely to help the enquiry.

Mr Justice Hoffmann so held when granting an application by the liquidators of Arrows Ltd for a direction that the written record of an examination of the company's managing director under section 236 of the Insolvency Act 1986 was not to be disclosed to the Serious Fraud Office (SFO).

MR JUSTICE HOFFMANN said Mr Muhammad Naviede was under investigation by the SFO.

The inquiry concerned property acquisitions by companies under Mr Naviede's control, financed partly by building societies and partly by Arrows Ltd, of which Mr Naviede was managing director and sole beneficial shareholder.

Mr Naviede had been charged with a number of offences of obtaining a pecuniary advantage by deception, contrary to the Theft Act 1968.

Arrows carried on business providing short-term trade finance. It had credit facilities from a number of banks. During 1989 it began to divert money from those facilities into Mr Naviede's complicated property dealings.

By June 1991 the company appeared to be massively insolvent. Provisional liquidators were appointed.

Millions of pounds and essential documents appeared to have gone missing. There seemed to be three sets of books. The liquidators decided that to construct an accurate *picture of the company's* affairs they needed information from former officers, and in particular from Mr Naviede.

Under section 236 of the Insolvency Act 1986 the court had power, on the liquidators' application, to summon any officer of the company to appear before it for examination on the company's affairs.

The liquidators applied for an order *ex parte*. They wanted the court to insert a direction that the written record of Mr Naviede's examination was not to be disclosed to the SFO. The SFO objected.

The liquidators wanted the direction because, they said, without the court's assurance that the SFO would not be able to obtain the transcript, Mr Naviede was unlikely to say anything helpful.

By rule 7.28(1) of the Insolvency Rules 1986, court records of insolvency proceedings were open to inspection by anyone.

Examinations under section 236 were an exception to that principle.

Rule 9.5 provided that unless the court otherwise directed, the written record of the examination should not be open to inspection by anyone other than the applicant for the section 236 order, or any person who could have applied for such an order.

Rule 9.5(4) provided that the court "may . . . give directions as to the custody and inspection of any documents". It was under rule 9.5(4) that the liquidators *applied for the special* direction.

Mr Kaye for the SFO rightly said that strictly speaking such a direction was not necessary. In the absence of an order to disclose the transcript, the liquidators would not be at liberty to do so.

He therefore submitted that the application was premature and that the liquidators should wait until the SFO had asked for the transcript and then seek directions as to whether it should be disclosed.

But that ignored the reality, which was that no transcript of any value would come into existence unless the question of disclosure had been decided in advance.

It might be that in most cases it would be undesirable for the court to rule on disclosure before examination, but rule 9.5(4) gave it jurisdiction to do so when necessary.

Mr Kaye submitted that the court had no jurisdiction to restrict the SFO's statutory right to information.

Section 2(2) of the Criminal Justice Act 1987 provided that the SFO might require a person whose affairs were to be investigated for fraud, "or any other person" to furnish information relevant to the investigation".

"Any other person" included the liquidators and the court.

By section 1(3), the SFO might launch an investigation only if the suspected offence appeared to involve serious or *complex* fraud.

There was only one exception to the obligation to provide information – by section 2(9) legal professional privilege was preserved. There was no privilege against self-incrimination; but by sub-section (8) a statement might not be used in evidence against the examinee except as a prior inconsistent statement, or in a prosecution for knowingly or recklessly giving false information.

In a prosecution for failure to comply with a requirement to provide information it would be a defence, under section 2(13), for the person concerned to show that he had a "reasonable excuse". But that, submitted Mr Kaye, was confined to cases where he came within express exceptions or had some personal explanation, such as illness. He said it was not a vehicle through which the court could create new general exceptions.

That argument was too extreme. It required one to hold that, with the *sole* exception of legal professional privilege, Parliament intended to sacrifice every public interest which might require confidentiality to the overriding needs of fraud investigation.

One only had to go on to section 3 to see that Parliament could not have thought section 2 would have that drastic effect.

By section 3(3), the section 2 powers overrode "an obligation of secrecy imposed by any *enactment other than an enact*ment contained in the Taxes Management Act 1970".

The effect of the 1970 Act was to prohibit Revenue officers from disclosing information from taxpayers except for prosecution of an Inland Revenue offence.

Mr Kaye submitted that because section 3(3) overrode every obligation of secrecy imposed under "any enactment" other than the 1970 Act, rule 9.5 was ineffective. Section 3(3) dealt with statutory obligations of secrecy, but not with heads of public policy which might justify non-disclosure.

When one considered the various heads of public policy, such as national security and administration of central government, which had been held to justify non-disclosure for purposes of justice, it was impossible that the only public interest Parliament thought capable of taking precedence over fraud investigation was the collection of revenue.

The reason section 3(3) overrode most *statutory* obligations of secrecy was that they were expressed in absolute terms. But the doctrine of public policy permitted a balance to be struck between the public interest in preserving secrecy and the public interest in the investigation of fraud.

There was no reason why heads of public policy should be excluded from "reasonable excuse". Section 3(3) did not have that effect.

Mr Kaye submitted that the direction would deprive the SFO of a valuable source of information and thereby impede and frustrate execution of its statutory duties.

He said it was true that questions put to Mr Naviede *under section 236 could equally* well be put to him by the SFO under section 2 of the 1987 Act, and that Mr Naviede would not be entitled to privilege against self-incrimination.

But, he said, the disadvantage for the SFO was that section 2(8) made the answers it got from Mr Naviede inadmissible, whereas the answers he gave the liquidators would be admissible (see section 433 of the 1986 Act).

There were two answers. First, it seemed wrong that the SFO should in that way be able to circumvent the protection given to the accused by section 2(8). Second, unless the direction was given, the probability was that the examination would produce no useful information *for the liquidators or* the SFO.

Mr Kaye said even if Mr Naviede did claim privilege against self-incrimination, there must be non-incriminatory questions the liquidators could ask. The SFO would then find it useful to see if any inconsistencies emerged between what he told the liquidators and what he told the SFO.

That filleted form of examination was unlikely to achieve anything for the SFO which could not equally be obtained by calling in Mr Naviede under section 2 and taking him through his story again.

The balance came down in favour of the direction being given. The liquidators might be *assisted thereby and* the SFO had nothing to lose.

For the liquidators: John Jarvis QC and Ewan McQuater(Lovell White Durrant).

For the SFO: Roger Kaye QC, Ian Croxford and Joanna Smith (Treasury Solicitor).

Rachel Davies

Barrister

When charity begins at the work place

Alan Pike on how to make employees step forward

Every employee at the Body Shop is allowed half a day's paid time off a month for voluntary activity. All new staff have to do at least one day's voluntary work in their first six months with the company. All franchise holders are required to do community work.

For such arrangements the Body Shop was last night presented by Prince Charles with top honours in the 1991 UK Awards for Employee Volunteering.

The attraction of employee volunteering schemes to charities is that they encourage more volunteers to come forward, and offer the prospect of support by the office or factory. For employers, the potential gains range from an improved image in the community to the use of voluntary work as a staff development tool.

The judges – of whom I was one – were impressed by the extent to which voluntary work is built into Body Shop's broader corporate ethos. Care projects with elderly, ill, disabled and disadvantaged people are the most popular forms of activity with shop staff.

Anita Roddick, the company's managing director, says that Body Shop's support for the voluntary sector is designed to attract more trade to the shops. However, she


Anita Roddick: winner

stresses that both the company and the community benefit.

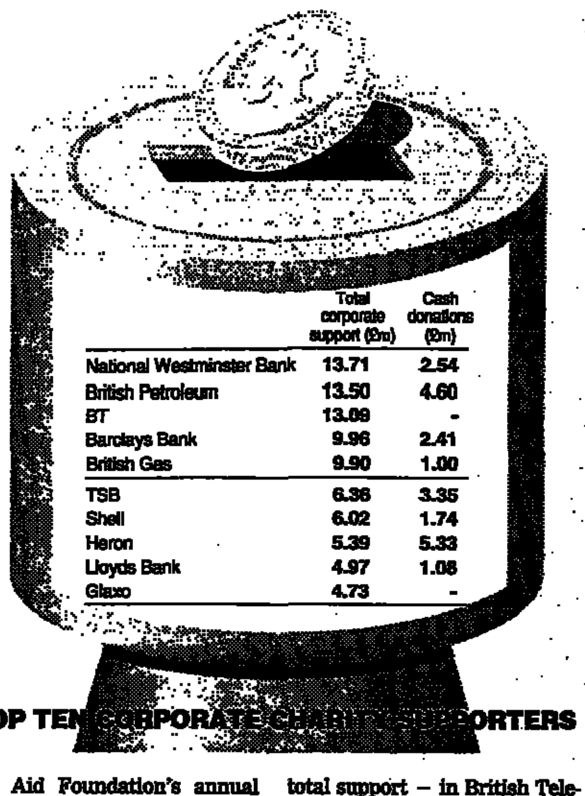
"There is no better way to learn good service than by overcoming the fears and awkwardness first-time volunteers often feel on approaching someone in need," says Body Shop's statement of purpose.

Other winners in the contest, sponsored by Whitbread and supported by the Home Office voluntary service unit, were the Post Office, which took the nationalised industry award, and IBM's 180-employee Edinburgh office, which came first in the category for smaller companies and subsidiaries.

Companies are becoming more imaginative in their employee volunteering schemes. Secondments and business volunteer placements to voluntary organisations are increasingly being integrated into career development programmes. Only a few years ago typical secondees were managers nearing the end of their careers. Now the Action Resource Centre (ARC), which acts as a broker between companies and voluntary organisations, is arranging "development assignments" – part-time secondments of staff in early or mid-career. The aim is to develop the secondee's management skills as well as provide professional help to voluntary organisations.

Launched by ARC in Marks & Spencer and Nationwide Anglia two years ago, the development assignment scheme has been taken up by other companies including Boots, British Gas, British Rail Research, East Midlands Electricity, Midland Bank, W H Smith and Sun Life. Secondees and volunteers on all ARC's schemes provided more than 17,500 days' work to community organisations in 1990-91 – a 38 per cent increase on the previous year.

However while companies may be encouraging their employees to do more for charity, when it comes to giving money it is a different matter altogether. Last night's award ceremony coincided with publication of new proof of how seriously help is needed.



	Total corporate support (£m)	Cash donations (£m)
National Westminster Bank	13.71	2.54
British Petroleum	13.50	4.60
BT	13.09	-
Barclays Bank	9.96	2.41
British Gas	9.90	1.00
TSB	6.36	3.35
Shell	6.02	1.74
Heron	5.39	5.33
Lloyds Bank	4.97	1.08
Glaxo	4.73	-

TOP TEN CORPORATE CHARITY SUPPORTERS

Charity Trends, the Charities Aid Foundation's annual survey of the voluntary sector, shows that a downward drift in donations identified a year ago has continued through the recession. Although support for the biggest charities has held up relatively well, the proportion of the public giving anything at all is in decline, while corporate financial support fell 3 per cent last year.

The Charities Aid Foundation survey shows that 213 responding companies gave £190m in cash and other assistance during the same period. National Westminster Bank, BP and British Telecom each provided more than £13m in total support – in British Telecom's case all in cash.

The Per Cent Club, whose members are corporations pledged to give regularly to charity, last night launched a campaign to help companies become more organised in the help they give to the community. It is encouraging them to quantify their community involvement activities and to report on them in annual reports and accounts, promotional literature and staff publications. This would, it believes, help to illustrate how community involvement links with more traditionally "mainstream" business activities.

Never mind the width, feel the quality

As the faithful celebrate World Quality Day, Paul Taylor examines the concept

Lucius Annaeus Seneca, the Roman playwright, philosopher and tutor to Emperor Nero, is credited with saying: "It is quality rather than quantity that matters."

Almost 2,000 years later the lesson is still being learned by the company executives and others who have become the willing acolytes of a new generation of (management) gurus sold on the concept of total quality management, or 'TQM' to the aficionados.

It was the European Organisation for Quality which, three years ago, came up with the idea that one day a year should be nominated for countries to focus on "Quality of Life".

Backed by the United Nations, governments and national institutions of the industrial world, World Quality Day was born in 1988. Yesterday in the UK, as in many other countries, seminars and conferences were held to promulgate TQM philosophy.

According to the British Quality Association the purpose of World Quality day is "to focus the attention of each individual and group on the need to think of quality of their own activities in terms of satisfying the requirements of their customers."

In London delegates to a World Quality Symposium organised by the association, which has more than 2,000 corporate members, will gather to be reminded of the importance of TQM – and its core concept of customer satisfaction – to their companies' competitive success.

The modern founding fathers of TQM theory include the three Americans, W Edwards Deming, Joseph Juran and Armand Feigenbaum, who in the early 1950s exposed Japanese managers to the principles of quality control and are widely credited with helping to create Japan's industrial powerhouse.

Converts to the total quality movement often appear to treat it almost like a revered religion. Indeed it has become a big business in itself. Hundreds of glossy hard-backed books have been written on the subject and companies sometimes pay thousands to send their executives to seminars where management consultants and corporate disciples sing TQM's praises.

The more cynical might ask if TQM could be another case of the 'emperors new clothes' – the devotees insist it is not and point to the real gains that companies like Xerox and others ascribe to TQM. Alas, Seneca is not here to pass his own judgment.

Christopher Lorenz

Japan should give the locals a chance

Panasonic has become so concerned about the lack of local managers in its offshoots around the world that it recently formed a task force to deal with the problem. Yet all the task force members are Japanese.

The paradoxical action of Panasonic, which is one of the main arms of the Matsushita group, epitomises a dilemma facing many Japanese companies. They are keen to "go local" as they spread their activities around the globe, yet all but the most enlightened of them are reluctant to give powerful positions to foreigners.

Panasonic's move follows a spate of allegations in the United States Congress of discrimination by a wide range of Japanese subsidiaries against local managers in hiring, promotion and decision-making. Disgruntled US managers have also won a series of lawsuits against their former employers, including NEC, Ricoh, Sumitomo and Matsushita.

The notion that Japanese companies may love foreign shop floor workers but distrust local managers (outside Hollywood, anyway) has been fostered in the folklore to such an extent that it has hit the world of TV soap opera. A recent episode of LA Law featured a suit by the ousted top management of an American company against its new Japanese owner.

In Europe, such complaints are almost as common, but far less vociferous. This is partly because European societies are less litigious. But it is also because the continued bias of many Japanese subsidiaries towards expatriates in almost all jobs but production, personnel, sales and (occasionally) the chairmanship is more widely accepted as the norm than it is in the US. So is the attachment of Japanese "shadows" to such posts.

There are encouraging exceptions, with Sony taking the lead and Sharp, for instance, trying to follow suit.

To most westerners, the general Japanese reluctance to hire local managers, and the propensity to parachute in someone from Tokyo as soon as a local manager hits a problem, are as reprehensible as were the similar habits of many European and American multinationals at a similar stage of their development.

The difference is that the homogeneity of Japanese culture, the tendency to keep power centralised, and pride in the superiority of the Japanese way of doing things, are likely to make companies such as Matsushita far slower to localise management than were Philips, IBM and so forth.

But some Japanese and western experts argue that the slow pace of localisation is both understandable and desirable.

Nigel Campbell, director of Britain's North West Centre for Japanese Studies, says that if the internationalisation of Japanese companies is to be successful, a much larger pool of Japanese managers with international experience still needs to be created. In other words, the expatriate proportion of overseas employment should remain high.

All but the most enlightened companies are reluctant to give powerful positions to foreigners

Moreover, says Campbell, the competitiveness of Japanese companies depends on the close personal communication of an "in-group" whose members know each other well. Western managers in Japanese subsidiaries should therefore not complain about their Japanese "shadows", he says, but should instead learn to speak Japanese fluently, to accept long hours, and to show sufficient commitment to become part of the in-group. To assist this process, Matsushita is taking 200 foreign managers into its Osaka HQ for two years.

Campbell's arguments have some force, but they beg several questions. One is whether, regardless of the efforts a "gaijin" (foreigner) may make, many Japanese companies really are prepared to allow him (or especially her) to become an insider, any more than many longer-established French or German multinationals have done.

Another question is whether, in their quest for the fashionable professed goal of localising every aspect of their businesses, the Japanese really are prepared to allow a two-way learning process to occur, in which both sides adapt to each other. If "localisation" means anything it means adapting to local conditions.

Whether or not one agrees entirely with Campbell, the "in-group" argument has more to it than sceptics might think – especially with regard to the problems foreign managers have in understanding the intricacies of internal competition and negotiation within Japanese companies.

Because Japanese manufacturers often separate their production and sales divisions, they tend to have more internal transactions than western ones, as Professor Tadao Kagono of Kobe University points out.

He argues that this promotes "risk-sharing, autonomy and learning-by-doing – merits best drawn out by people sharing a common culture".

Merits they may be, but a common corporate culture is not synonymous with a common *national* culture. A number of western multinationals have managed to develop Kagono's virtues with highly heterogeneous in-groups.

Giving local managers real influence is not only much more human, *but also promises* companies much greater staying power, both as good corporate citizens and as businesses capable of responding to an increasingly complex set of markets around the world.

Christopher Lorenz's column will appear on alternate Fridays.

Bergman's 'Bacchae'

STOCKHOLM

Ingmar Bergman's first opera production was of *The Rake's Progress*, 30 years ago. His second (apart from the *Magic Flute* television film) is of Daniel Börtz's new opera *Backanterna*, *The Bacchae*, which is being given 16 performances at Stockholm's Royal Opera. Börtz, a prolific 48-year-old composer, has written nine symphonies; *Backanterna* is his first opera.

Earlier *Bacchae* operas adapted the play and reshaped it for music – partly in order to introduce a prima donna, Agave, before the final scene. Egon Wellesz in his *Bakchantinnen* (1931, and revived last year in Bielefeld, as Andrew Clark reported here) also added Agave's sisters Ino and Panthea, sopranos, to the cast; Auden and Henze in *The Bassarids* added her sister Autonoe, soprano, and the nurse Beroe, mezzo. In both works, Euripides is freely refashioned. But Börtz sets the play (in Swedish translation) pretty well straight. There are two acts, with the break coming as Pentheus, in female garb, sets out for Cytheron; so Act 1 (about 90 minutes) is about Dionysus and Pentheus, and Act 2 (about 50) is dominated by Agave. In classical times, Pentheus and Agave would have been played by the same actor.

In Börtz's version, male-register solo dominance is avoided by making Dionysus a mezzo and Tiresias an alto. The ever-present bacchante chorus – sopranos, mezzos, and altos – is all-important. It is an ensemble of 13 soloists (led with authority by Berit Lindholm), whose music is the most extensive and effective in the score – varied in metres and textures, energetic, impulsive, often breaking from song into plain speech. The final chorus ("Gods show themselves in many ways . . . They bring about the unexpected") is a unison chant, unaccompanied, with the last line spoken by a solo voice.

The principals declaim vigorously, often in extremes of register; they chant; they have a few lyrical episodes and also a good deal of speech (some of it straight, some rhythmically notated, some with suggested *Sprechgesang* pitch contours). The two extended setpieces are both spoken: the Herdsman's (7½-minute) and the Messenger's (12-minute) narrations, which are delivered in the high style – with relished inflexions, dramatic pauses – by two actors from the Royal Theatre. Other spoken passages are the Tiresias-Cadmus scene and, surprisingly, the scene in which Dionysus "hypnotizes" Pentheus (spoken in prescribed rhythms over long soft string chords with long sliding notes from flute and bass clarinet).

Two earlier endeavours by Bergman to stage *The Bacchae* were frustrated: in the early 1950s because money ran out, and seven years ago because he fell ill. The new opera, one feels, is very much his production provided with music – the producer as dominant partner – rather than a score in which music takes command of the drama. This Dionysus is a vengeful, cruel, unseductive, despite his adoring band. (He descends from the god-walk at the close and physically strikes Agave several times.) Pentheus is a blusterer. Agave achieves tragic composure at the end; her final, dignified speech – almost unaccompanied, wound with cor-anglais phrases – is moving.

The force of the play comes across, but not its richness and intricacy. Bergman's first interest seems to be the bacchantes, the band of disciples who joined the god on his journey from India to Thebes; for each of them he has written an individual brief biography. The production is straightforward, suggesting Wieland Wagner crossed with Peter Brook. In a plain grey box set, the bacchantes spread a carpet and hang hangings. They sit around in carefully composed groups to listen to the principals, come forward with gestures to utter the choruses. They wear full-skirted, colourful costumes in Act 1, blood-streaked white smocks in Act 2. Donya Feuer has given them some after-Graham choreography.

Tiresias and Cadmus enter as a comedy pair of tippling clowns. Since Pentheus comments scornfully on his divine cousin's long curly hair and schoolgirl complexion, most translators have a stage direction about the god's androgynous beauty. (Wole Soyinka is an exception: "a being of calm rugged strength, of a rugged beauty, not of effeminate prettiness".) In Stockholm, Sylvia Lindenstrand seems, disconcertingly, all woman: a strapping, broad-belted lady-athlete in black leotard and boots, with straight blond hair, fondling her favourite girls, then seducing Pentheus as much by bodily contact as by her words. Pentheus is similarly dressed, but *his* straight blond hair is pulled back in a tidy little bun.

Lindenstrand's singing, in a taxing role that opens with *ffff* exclamatory phrases, is impressive. Peter Mattei, the Pentheus, is a striking young baritone with a strong voice and a powerful presence. Anita Soldh is a fine Agave – in the triumphant cries, punctuated by braying brass, of her "mad scene" with the head; in the dialogue with Cadmus, string-accompanied; in her farewell, over an offstage chorus; in her final speech. Among the bacchantes, the soprano Eva Osterberg and the mezzo Ingrid Tobiasson are outstanding. Kjell Ingebretsen conducts.

It will be interesting to discover how John Buller – whose *Bakxai*, in the original Greek, is due at the English National in May – musics Euripides. Although Börtz's effective and arresting score is more than incidental music, it seemed something less than a fully-formed *Bacchae* opera.

Andrew Porter

Impressive: Sylvia Lindenstrand as Dionysus and Peter Mattei as Pentheus

Hewn from the Pre-Raphaelites

Is there PRB sculpture? asks **Susan Moore**

It is a rare treat to be offered a pioneering exhibition such as the one currently at the Matthiesen Gallery (7/8 Mason's Yard, Duke St, SW1, until December 12). Even more unexpected when it relates to a subject as minutely studied as the Pre-Raphaelites.

PRB painting, drawing and poetry have all been thoroughly scrutinised and dissected since the war. The sole area hitherto neglected, it appears, is Pre-Raphaelite sculpture. The sculptor Thomas Woolner was, after all, one of the founding members of the Brotherhood. Arguably he remained, along with Holman Hunt, the movement's purest exponent. A handful of pieces by Woolner and Alexander Monro featured in the Tate's mammoth Pre-Raphaelite show in 1984. Two years before, Benedict Read in his book *Victorian Sculpture*, declared that Woolner's sculpture "has never really been viewed as Pre-Raphaelite as such". Now it is.

This exhibition brings together for the first time a substantial group of work by the sculptors associated with the Pre-Raphaelites – Woolner (who remained the sole sculptor PRB), Munro, John Hancock, Bernhard Smith and John Lucas Tupper. For the first time, too, it presents George Frampton (of Peter Pan fame), Alfred Gilbert (Eros), William Reynolds-Stephens and Robert Anning Bell as successors to the Pre-Raphaelite mantle, inherited through the romantic medievalism of Burne-Jones.

There has been some spectacularly successful art-historical sleuthing. Country houses, Oxbridge colleges and museums have been scoured by the organisers and have yielded up a number of exhibits that have not been seen in public since their unveiling. In an attic of the Ipswich Borough Museum dust was blown off Woolner's *Love*; Hancock's signed life-size plaster statue of Beatrice was rediscovered languishing in the V&A as unknown, Italian 19th century. But there is only one problem with this enterprising exhibition: it does not entirely convince us that there is such as thing as Pre-Raphaelite sculpture.

Certainly the Pre-Raphaelites may have thought there was. William Michael Rossetti's *The P.R.B. Journal* describes a Chaucerian bas-relief by the sculptor-cum-poet Tupper as being "at the extremist edge of P.R.Bism, most conscientiously copied from Nature, and with good character." The PRB principle of uncompromising truth is widely in evidence, especially in the portrait medallions and portrait busts by Woolner and Munro. The former's marble bust of the geologist Adam Sedgwick is a tour-de-force of integrity with its wrinkles and pock-marked flesh.

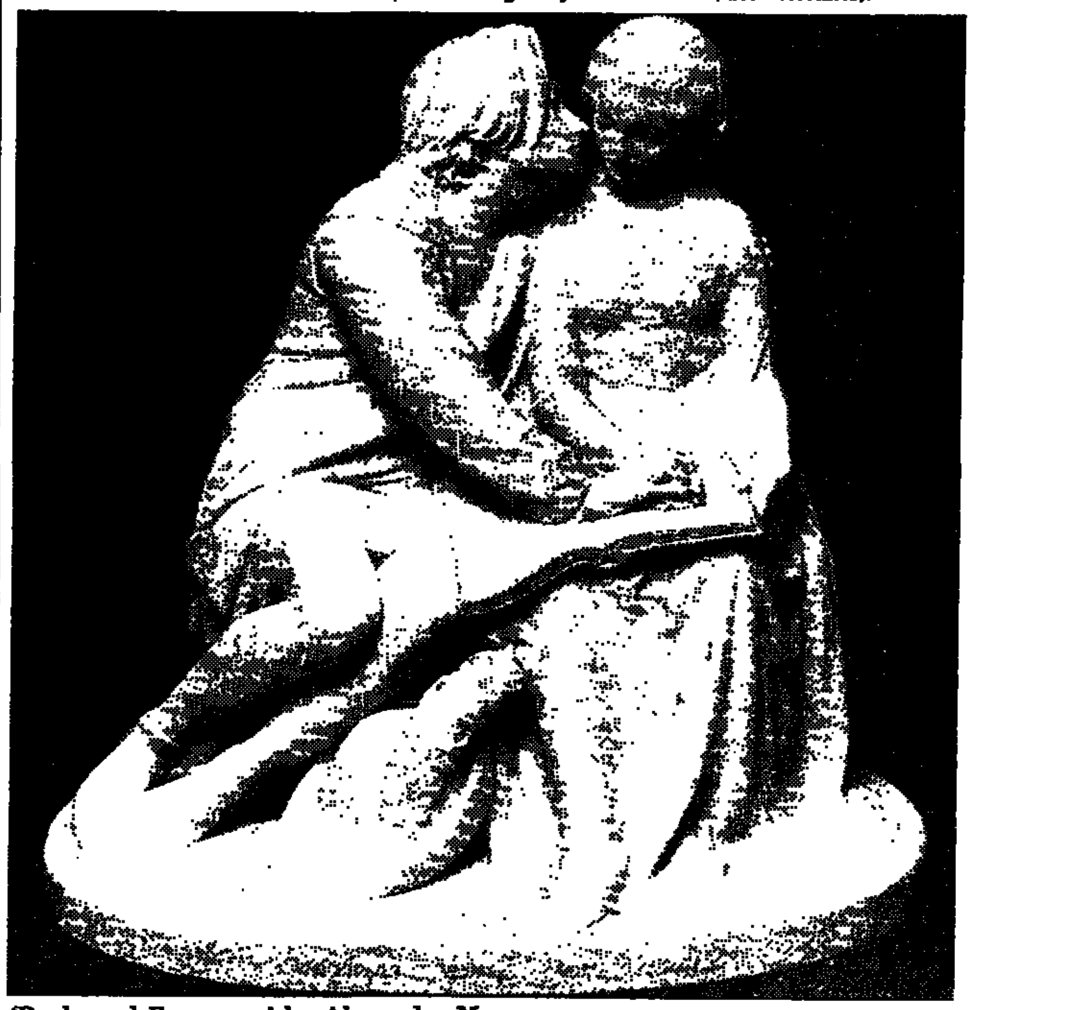
There are also subjects that seem quintessentially Pre-Raphaelite – whether literary, Biblical or moralising. Hancock's painted plaster Beatrice is a perfect example. Woolner's graceful bronze *Housemaid* on her knees with a bucket is the sculptural equivalent of that other celebration of contemporary life, the hulking Irish navvy in Madox Brown's *Work*. The lush ferns underfoot Munro's *Young Romilly* are as painstakingly crafted as any foliage by Holman Hunt.

Munro's *Paolo and Francesca* (the marble version commissioned by Gladstone) is not only based on Rossetti's beloved Dante but also exhibits typical Pre-Raphaelite characteristics: formal purity, pointed shoes, Paolo's angular jaw and sharp features, Francesca's demure chasteness. Moreover, it represents a crucial moment of emotional intensity – Paolo and Francesca are reading of Lancelot's love for Guinivere and realise that their lots are linked forever. Arguably it is the only distinctly Pre-Raphaelite sculpture. Munro's composition is closely related to drawings by his friend Rossetti, but it is not clear which of the two is ultimately responsible for the conception.

Paolo and Francesca may be Gothic rather than Classical, but it can hardly be described as naturalistic. Most of the poetic or moralising sculpture here is unashamedly Ideal and idealised. Much seems to have nothing at all to do with PRBism, and no one could claim that the Pre-Raphaelites had a monopoly on Chaucer, Dante, Malory, Shakespeare (look out for Woolner's quicksilver *Puck*), Tennyson or the Bible – or on Truth or Realism, or the Gothic Revival.

Burne-Jones's presence looms large over the later exhibits – as, appropriately, does his painting of Pygmalion looking longingly at the ideal woman he was created in stone. Although his influence on the New Sculpture is undeniable, it seems unhelpful to categorise the polychromatic, mixed-media sculpture of Frampton, Gilbert and Reynolds-Stephens as Pre-Raphaelite. It is rather like calling Matisse a Post Impressionist.

The exhibition has been organised by Joanna Barnes Fine Arts Ltd and moves on to Birmingham Art Gallery, January 15-March 15. There is an accompanying study, *Pre-Raphaelite Sculpture: Nature and Imagination in British Sculpture 1848-1914*, edited by Benedict Read and Joanna Barnes (£20 for the duration of the show, £30 thereafter).



'Paolo and Francesca' by Alexander Munro

John McLaughlin

ROYAL FESTIVAL HALL

The fusion of guitarist John McLaughlin is bang up to date in so much as it releases a great deal of energy using only harmless organic percussion and acoustic guitar. The latter is enriched by the most basic delay pedals and the whole held together by an ordinary electric bass.

All this means that there are none of the usual unpleasant by-products associated with this kind of music – the crash, bang, wallop of technology and the posturing. Indeed both McLaughlin and percussionist Trilok Gurtu ("Swami Drums" as McLaughlin calls him) sit down to do it, smiling serenely at one another from either end of the stage, leaving young bassist Dominique di Piazza looking bashful centre stage.

Apart from being the most accomplished guitarist in jazz, McLaughlin is a protégé of spiritualist Sri Chinmoy, whose peace concert in London on Thursday has been keeping bill stickers in the capital busy for some months. This influence, combined with his own work in Indian and classical settings, is presumably what makes his improvisation quite so calm, controlled and fluid.

On Wednesday the characteristically effortless technique spun out super-fast interplay with Gurtu's shakers and tablas, mostly with a latin flavour. "Bela Horizonte" and "Just Ideas" recalled his trio work with Paco de Lucia and Al di Meola, the long soaring improvisation punctuated by thumps and taps on the soundbox.

"Josie", by contrast, was prowling, creeping classic fusion which made references to Miles Davis, who he worked with in his early experiments with the music.

In a more reflective and melancholic mood, reminiscent of his acoustic ensemble, Shakti, he turned a beautiful melody backed by ethereal voiceover for a tribute to the oppressed people of Tibet.

The energy releasing fusion happened in the second half with the meeting of Gurtu's imaginative percussion and the master's virtuosity on guitar, starting with "Hijacked". Di Piazza, stuck between them, watched on as though he were at Wimbledon, his doleful bass lines barely audible. While Gurtu alternated between the sizzling cymbal sound of bebop to the wholly eastern effect of tabla, McLaughlin exchanged chopping latin chords for treated strings which imitated organ pipes. It was an extraordinary musical conversation which culminated in a kind of Indian vocalese, where McLaughlin quite naturally provided bass harmonies.

By this time the packed house was ecstatic and the wistfulness of "Three Willows" and straightahead fusion of "Hijacked" a formality. The RFH, a scene of earlier triumphs and a live recording was threatening to levitate, and the guitar guru from Doncaster, smiling modestly, was preaching to the converted.

Garry Booth

Trisha Brown Company

SADLER'S WELLS

As part of the Dance Umbrella season Trisha Brown and her company are this week installed in Rosebery Avenue with recent repertory pieces. Miss Brown, darling of the post-modernists, started making dances in New York in the heady 1960s when the avant-garde was reinventing choreography by reducing it to its dullest minimalist components . Her current style is vastly more sophisticated, though it still retains an affection for repetition as a means of developing a structure – a run round the stage, exhaustingly duplicated as with a neurotic compulsion, becomes a great bore.

Visually her programme on Wednesday night was distinguished: Robert Rauschenberg has provided the lighting and structures and costumes for *Foray Forêt* and *Astral Convertible* – seek not to know what these titles mean – and we are taken into a world of unexpected and sideways-on optical pleasures. In *Astral Convertible*, silver-clad dancers move among silver frames bearing lights. The movement is relaxed, limber, building interest through a crescendo of activity, in what I found the most rewarding work of the evening. *Foray Forêt* has its cast in positively hedonistic gold tissue outfits. The choreography proposes loping, fluid lines of dance. A leg or an arm swings, and the body follows through, but the sum effect is introspective, often small-scale, and essentially self-obsessed. It looks like dance as therapy rather than as theatre, and the piece is fatally long – nor helped at any moment by the faint and abominable tootlings of an amateur brass band playing marches.

Trisha Brown appears in this, as she does in *For M G – the movie* (a title changed at curtain rise from *Lever Best*: one riddle replacing another). She assumes something of the stage identity of Merce Cunningham – the guru supervising and commenting on the work of her young adherents. And in *For M G* she is the most intriguing element in a text which contrasts – in dullest fashion – action and inaction, a desperately running girl and a man who stands immobile, back to us, throughout the interminable length of the piece. Miss Brown strikes a few hieratic poses and walks very slowly – her actions suggest a stick-insect impersonating Isadora – but the closing moments, when figures are caught, watchful, in a dusky light, are very beautiful.

Perhaps the most intriguing thing about the whole evening is the dichotomy between presentation and performance. The design is theatrical – Rauschenberg's lights, costuming are strongly presented to us – but it frames a dance manner recessively private. Personality, even physical identity – and dancers are what their bodies say to us – seem self-regarding, constrained, as if performance were not very welcome duty, and choreography the most arid of exercises.

Clement Crisp

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

It looks as if Meyerbeer is jinxed. Covent Garden's production of Les Huguenots, marking the 200th anniversary of the composer's birth, was delayed by an orchestra strike. Illness forced the cancellation of some performances of L'Africaine in Bielefeld. Now the Staatsoper unter den Linden in Berlin is having problems with its new staging of L'Africaine. The British film director Tony Palmer, who had been engaged to stage the production, pulled out over the summer, apparently because he had taken on too much other work. Frank Sarnowski, a German director from Bielefeld, was signed up as a replacement, but the Staatsoper has now announced that the first night on November 23 will go ahead only as a concert performance, and there is still a question mark over subsequent performances.

A change of plan in Munich too: Peter Hall's new production of Peter Grimes at the Bavarian State Opera has been cancelled owing to the dilapidation of the hydraulic stage machinery. The company has arranged to borrow Tim Albery's English National Opera production, which does not require hydraulics. First night will go ahead as scheduled on December 1, with Andrew Davis conducting and a cast led by Rene Kollo.

On December 19, the Metropolitan Opera gives the world premiere of John Corigliano's The Ghosts of Versailles. The librettist is William M. Hoffman, and principal roles are to be sung by Teresa Stratas, Marilyn Horne, Graham Clark, Gino Quilico and Hakan Hagegard, with James Levine conducting. The plot revolves around Marie-Antoinette, the playwright Beaumarchais and characters like Figaro, Susanna and the Almavivas known to opera audiences from Le nozze di Figaro and Il barbiere di Siviglia. The production is by Colin Graham, with sets and costumes designed by John Conklin.

Simon Rattle is becoming an increasingly popular guest of the Berlin Philharmonic Orchestra. He returns to Berlin on Sunday to conduct The Rite of Spring and Sibelius' Violin Concerto (with Ida Haendel) at the Schauspielhaus, followed by four concerts at the Philharmonie Kammermusiksaal (Nov 21-24) featuring Haydn's Symphony No 70, Stravinsky's Apollon Musagete and Messiaen's Oiseaux exotiques (with Paul Crossley). In January he will give another three concerts at the Schauspielhaus, including Sibelius' Fifth Symphony

EXHIBITIONS GUIDE

BONN

Frauen Museum Role models of the Nazi era: an exhibition focusing on how artists followed National Socialist ideology in their portrayal of men and women, and contrasting this with the standpoint of the German avant-garde before the Third Reich. Ends Jan 12

BRUSSELS

Palais des Beaux Arts Portugal: Triumph of the Baroque. Paintings, sculpture, jewellery and religious art from Portugal's heritage. Ends Dec 29. Closed Mon, late closing Wed

Porte de Hal Portugal: painted porcelain and ceramic tiles from the 15th to 18th centuries. Ends Dec 29. Closed Mon

CHICAGO

Art Institute Martin Puryear: 50 works by the American sculptor, who combines modern and non-Western traditions. Ends Jan 5. Also Grave Goods from Ancient Cultures: 40 objects illustrating burial customs of ancient civilisations. Ends Feb 25. Also From Pontormo to Seurat: 61 recently acquired master drawings by Gainsborough, Delacroix, Monet and others. Ends Jan 5. Daily

GENEVA

Musee d'art et d'histoire Magnificent Switzerland: a selection of about 80 important Swiss views in oil and watercolour by major European artists of the 18th and 19th centuries, including Turner, Corot, Bierstadt and John Singer Sargent. Ends Feb 2

LONDON

Royal Academy Katsushika Hokusai (1760-1849): the most celebrated Japanese artist in the West. Hokusai's fame rests largely on his series entitled Thirty-Six Views of Mount Fuji, of which his print known as The Great Wave has become one of the archetypal images of the 20th century. The exhibition includes sketches, paintings and 150 printed works - single prints, book illustrations and albums, chosen from public and private collections throughout the world. Ends Feb 9. Daily

Barbican Japan and Britain: an aesthetic dialogue 1850-1930, with works by Whistler, Mackintosh and others who contributed to the exchange of influences. Ends Jan 12. Daily

Colnaghi Old Master Paintings: a group of early Italians, including work by Spinello Aretino, Benozzo Gozzoli and Giuliano Bugiardini, plus others from the 17th and 18th centuries, including Gaetano Gandolfi. Ends Dec 14

Hayward Gallery Toulouse-Lautrec: the most comprehensive exhibition of his work ever held in UK. Ends Jan 19. Daily

October Gallery Susanne Kessler: constructions and drawings by the German artist. Ends Dec 14. Closed Sun and Mon (24 Old Gloucester Street)

National Gallery The Queen's Pictures. Ends Jan 19. Daily

Tate Gallery Gerhard Richter (b1932): the first major survey in Britain of one of Germany's most eminent living painters. Ends Jan 12. Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of Europe. Ends Jan 26. Daily

MADRID

Museo Nacional Centro de Arte Reina Sofia André Breton (1896-1966): wide-ranging exhibition recreating the aesthetic world of one of the leading theorists of Surrealism. Ends Nov 30. Closed Tues

Museo del Prado Jusepe de Ribera: retrospective, drawn from the Prado's own collection, of the 17th century painter whose Spanish realism was softened by contact with the Carracci, Velazquez and the Venetians. Ends Dec 29. Closed Mon

NEW YORK

Whitney Museum of American Art Alexander Calder (1898-1976): more than 50 works by one of the most innovative and best loved of American sculptors, known for his mechanical ingenuity, practicality and humour. The show spans the full range of his career and is drawn primarily from the Whitney's own collection. Ends Feb 2. Closed Mon

Metropolitan Museum of Art American Watercolours: 150 masterpieces from the museum's own collection. Ends Dec 10. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12. Also French 19th century drawings: 30 recent acquisitions. Ends Dec 1. Also Renaissance tapestries and armour from Flanders, Germany and Italy, on loan from the Patrimonio Nacional Madrid. Ends Jan 5. Closed Mon

PARIS

Galerie d'Art St Honoré Flemish landscapes of the 16th and 17th centuries: from the earthiness of Peter Brueghel the Younger's country life scenes to the visionary mountain landscapes by Josse de Momper the Younger. Ends Dec 20. Closed Sat and Sun (267 rue St Honoré)

Galerie Michele Heyraud Terry Haass: geometric volumes in plexiglass. Ends Nov 30. Closed Sun and Mon (79 rue Quincampoix, next to Centre Pompidou)

Grand Palais From Watteau to David: 70 works from the school of 18th century painting, in which mythological themes offer a pretext for glorifying feminine nudity with pleasing sensuality. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais Géricault: retrospective marking the 200th anniversary of artist's birth. Ends Jan 6. Closed Tues, late closing Wed

Grand Palais A Golden Age of Decorative Art: 350 works from the period 1814 to 1848. Ends Dec 30. Closed Tues, late closing Wed

Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves, focusing on his early years and including a recording of the artist describing his formative influences. Ends Jan 20. Closed Tues

Musée d'Orsay Munch and France: the interaction between Munch and French art resulting from his visits to Paris between 1885 and 1908. Ends Jan 5. Closed Mon, late closing Thurs

Palais Garnier The Art of Ballet in Russia: photographs, drawings and costumes from St Petersburg's museum of theatre and music, evoking two centuries of mutual influence in the French and Russian world of ballet. Ends Dec 1. Daily, except opera matinee days and exceptional events

ROME

Palazzo Ruspoli Lucian Freud (b1922): first major Italian showing of one of Britain's most distinguished living artists, giving a vivid idea of how the painter's style has evolved - from the meticulous, static, almost caricatural early portraits, to the baroque flourishes of the later, more relaxed self-portraits and nudes. The sense of unease evoked in much of his work goes back to his German roots and puts him squarely in the Grosz and Otto Dix tradition. Ends Nov 17. Daily

Villa Medici Matisse: Themes and Variations. Nearly 100 works from the Henri Matisse Museum in Nice, showing how Matisse explored his favourite themes (female nudes and faces, still-lifes of fruit and vegetables) in different techniques, from charcoal sketches to oil paintings and sculpture. The exhibition includes photographs and films of the artist at work. Ends Dec 29. Closed Mon

STOCKHOLM

Nationalmuseum Zorn and Sorolla: a presentation of one of Sweden's most beloved painters Anders Zorn (1860-1920) and his friend, the Spanish painter Joaquin Sorolla y Bastida (1863-1923). Ends Jan 6. Closed Mon

WASHINGTON

Museum of Natural History Seeds of Change: an exhibition marking the 500th anniversary of Columbus' voyage, with a look at the impact of animals, crops and disease on native Americans and the Old and New Worlds since 1492. Ends April 92. Daily

National Gallery of Art Albert Bierstadt: Art and Enterprise. The most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration, with work by artists as diverse as Leonardo da Vinci, Shen Zhou, Islamic scribes and bronzecasters of Benin. Ends Jan 12. Daily

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The war in Yugoslavia

IT IS EASY to say that the European Community has failed in its belated attempts to stop the fighting in Yugoslavia. But the voices of criticism would have been louder had the EC done nothing; or outraged if the Community had indeed agreed to send in troops who then returned home in body bags.

Lord Carrington, chairman of the EC's sponsored peace conference, has certainly overestimated the sincerity and willingness of the Croat, Serb and federal army leaders to abide by the numerous ceasefires which they had agreed. But in retrospect, no pressure from the EC would have had any effect until there was a political will among the warring factions to stop the killing and destruction.

No side in the conflict between Serbs, Croats and the federal army has yet agreed to lay down its weapons because no party trusts any other. Nor does any side have complete control over its forces on the ground. But what has changed over the past week is the invitation by Croat and Serb leaders for the deployment of a United Nations peace-keeping force.

The two leaders have different views about what role peace-keeping forces should play. The Croats want them to stop the fighting, relieve the besieged cities of Dubrovnik and Vukovar, and above all, regain for the republic all the territory forcibly seized by Serb paramilitary units and the Serb-dominated federal army. The Serbs wants these forces to act as a buffer in Croatia, not only to protect the ethnic Serbs, but to consolidate the territorial gains made in the war.

No gains

Before any decision is made to send in troops, Lord Carrington, and the UN Security Council, will have to make it perfectly clear to Serbia that its territorial gains will not be recognised. They should also insist that no peace-keeping force will be sent in until there is a negotiated ceasefire. Furthermore, any buffer zone created in Croatia should be established on the understanding that it is there to maintain and protect that peace.

The experience of the past 12 ceasefires has shown how difficult it is to enforce such measures. Moreover, the risk that the fighting will spread to the other republics, and to neighbouring countries, is now sufficiently acute to convince the EC and the UN, that they should deploy peace-keeping troops in those parts of the country which are still at peace.

Costly action

The resources required to deploy troops along the borders of the republics of Slovenia, Macedonia, Bosnia-Hercegovina, and in the province of Kosovo, will be costly. The UN and the EC would have to work out arrangements for financing, equipping and deploying these forces. They would also have to consider how all the warring factions could be disarmed, though this could prove to be extremely difficult to achieve. But, as the Moslems in the ethnically-mixed republic of Bosnia have repeatedly stated, containing the war is in the interests of the people living in these regions, its neighbours, as well as western governments. This military option by the UN might also give the EC an opportunity to concentrate on the political dimension of the negotiations, which can, and must, continue in parallel with any peace-keeping measures.

Sending peace-keeping troops into the republics, or establishing a buffer zone in Croatia, will not, however, immediately end the war. Even if Serbs and Croats agree to stop the fighting, the federal army, which is operating outside any political control, remains a formidable power in its own right. It has reserves of weapons. Its commanders will fight to the bitter end because they realise they have no role, or protector, once peace is secured. Perhaps this explains why army officers and reservists are unconcerned at the destruction of the medieval city of Dubrovnik and what is left of the town of Vukovar. Many more people are expected to die as the Serb-dominated army launches its final offensive. Given this impending catastrophe, the sooner the UN Security Council acts, the better.

Libya is in the dock

AFTER NEARLY three years of investigation the US and Scottish authorities have charged two Libyans with responsibility for blowing up Pan Am flight 103 over Lockerbie in 1988. They are identified as employees of the Jamahirya Security Organisation (JSO), described in the indictment as the "intelligence service through which Libya conducted acts of terrorism against other nations". Both are believed to be in Libya, and the UK and US have both demanded their extradition.

Announcing this in the House of Commons yesterday Mr Douglas Hurd, the British foreign secretary, said there was no evidence "currently" that any other country was involved in the bombing. If true, that fact must be a source of considerable relief to both the British and the US government. In the early stages of the investigation much circumstantial evidence had pointed to a Palestinian faction based in Syria, which was believed to have carried out the bombing on behalf of Iran, in retaliation for the accidental shooting down of an Iranian civilian airliner by a US warship. Syria, of course, was a valued ally in the war against Iraq this year, and is now a key party in the US-sponsored Arab-Israeli peace process. Britain restored diplomatic relations with it a year ago, leaving largely unresolved the question of Syrian responsibility for the attempt to plant a bomb on an Israeli airliner at Heathrow airport in 1986. Neither western government would relish a new dispute with Syria at this stage. Nor would they wish to exacerbate relations with Tehran, at a time when that government seems at last to be making real efforts to obtain the freedom of the remaining western hostages in Lebanon.

Investigation continues

The investigation, according to the acting US attorney general, "continues unabated. We will not rest until all those responsible are brought to justice. We have no higher priority." All the same, both governments must be hoping that the conspiracy will prove to be a purely Libyan affair.

What they clearly do not suppose is that it was the work of two people acting alone. "We find it very hard to believe that this could have been carried out without the active involvement of higher ups", said the White House spokesman, Mr Marlin Fitzwater, yesterday. One at least of these – Mr Izzeddin al-Hinshiri, former justice minister and now transport minister, is actually named in the US indictment as having obtained the timer used in the bomb.

Extradition unlikely

The thrust of the indictment is clearly that this was an operation carried out by the Libyan state, using its national airline and other official agencies as well as the JSO, possibly in retaliation for the US bombing of Tripoli in 1986 (itself a retaliation for an earlier terrorist incident), although the possibility that Libya could have acted on Iran's behalf remains at least theoretically open. It is therefore very unlikely that Colonel Muammar Gaddafi, the Libyan leader, will agree to extradite the two persons named, since the chances are that once in the hands of British or US investigators they would incriminate others, possibly including himself. Perhaps his shrewdest move would be to arrest them and put them on trial in Libya, which is permissible under international law but would hardly inspire confidence that justice had been done.

Failing that, Britain and the US will have to consider their options. They could in theory resort again to military retaliation, as the US did in 1986. But clearly that did not "work" in the sense of putting an end to Libyan terrorism. In any case there is now a different president in the White House, and a very different regional and international climate. The two governments will surely look to the international community, including Libya's Arab neighbours, to support them in bringing pressure to bear. They might well take the matter to the UN Security Council, as well as to the International Civil Aviation Organisation, in quest of effective sanctions. A boycott of Libyan oil would probably be the most effective, and in the present state of the market it is one the world could surely afford.

Martin Wolf argues against the need for active government in economic development

Paths to progress

Not very long ago central direction and control of the economy, underpinned by strong central control over the polity, was widely considered to be the price to be paid for rapid economic development. The collapse of Soviet-style socialism has rendered that belief untenable. Competitive markets, most would now agree, are needed for an economic omelette; central planning just breaks the eggs.

Yet that collapse leaves more subtle disputes behind it, disputes that are also important for the future of the reforming post-communist countries. Some argue that it may take a despotic government to introduce market-oriented reforms. Others assert that it may take an interventionist government to make the market economy work.

The contrast between the relative success of economic reforms in the still totalitarian People's Republic of China (which had an average rate of economic growth of 9.7 per cent a year between 1980 and 1989, according to the World Bank) and the catastrophic economic failures of *glasnost* and *perestroika* supports the first position. The extraordinary success of Japan, Taiwan and South Korea, all interventionist, supports the second.

Chile under General Pinochet is the prime example of the despotic route to the market. Some of those associated with last August's Soviet coup professed their attraction to that example. Meanwhile, Mr Nursultan Nazarbayev, president of Kazakhstan, is inclined towards the east Asian model, commended by Mr Stanley Katz in the FT (April 24 1991).

The dirigisme of the Pinochet regime was political, not economic. It was a brutal response to the chaos created by the populist socialism of Salvador Allende. Aggregate claims for expenditure had to match aggregate income; individual claims had, by and large, to match what individuals could earn in the market. But the jump from the destructive political conflict of organised interests to economic struggle within the bounds of competitive markets could not, it was felt, be made peacefully.

Yet the record of authoritarian regimes suggests that they are far from a guaranteed route to the market. More often they are the shortest route to kleptocracy. Why, after all, should a government become more powerful, in order to do less? A government whose influential members do not depend for their livelihoods on direct control of economic life – the military, for example – might sometimes limit itself in that way. Most will not. The pre-coup Soviet regime, whose defining characteristic was the intertwining of the centralised bureaucracy with economic activity, would have found it impossible to do so.

Nevertheless, the Chilean experience does pose a warning to post-communist reformers. In these countries a huge gulf lies between the way resources are distributed now and the way they might be distributed in a market economy. Many will feel cheated by what lies on the other side. More will feel cheated during the crossing. Can democratically-elected governments, operating in multi-party environments, retain the consent they need to bring in reform? The latest election in Poland suggests the answer may well be no. If so, the risks of a slide into chaos, followed by dictatorship, are not small.


Augusto Pinochet — Chiang Kai-Shek — Mobutu Sese Seko — Ferdinand Marcos

Brutally successful: Pinochet and Chiang Kai-Shek; authoritarians who failed: Mobutu and Marcos

When people recommend the east Asian example, they are thinking of something different from the forced imposition of the market economy. What is thought attractive is the supposed east Asian commitment to an active industrial policy.

The latest World Development Report, which describes the lessons learned at the World Bank over the post-war period, does not endorse this view. Its recommendation boils down to "markets plus education", with governments providing the underpinnings of the market, as well as much of the spending on education. "Markets plus education" is, in fact, not a bad thumbnail description of what is shared by Japan, the Republic of Korea, Taiwan, Hong Kong and Singapore, the outstanding economic successes of the second half of the 20th century.

Scholars who look closely at the individual cases of Taiwan or South Korea do, it is true, often stress the interventionism of these two countries. Yet what distinguishes the east Asian successes from flops everywhere else – Argentina, Brazil, Egypt, India and Pakistan being a few salient examples – have been the ways in which the former have not intervened: they have not attempted to bias incentives away from exports; they have not relied heavily upon state enterprise; they have not imposed high taxes; and they have not indulged in heavy public spending on welfare. They have, instead, been fiscally conservative and financially prudent.

Furthermore, the east Asian developing economies do not even share selective industrial policy. Hong Kong has had the least interventionist government in the world; Singapore's has been less interventionist than those of most western European countries; Taiwan's has been somewhat more interventionist than the French in the 1950s; while South Korea is an interventionist state on the historic Japanese model.

Despite these differences in the extent of industrial interventionism, all have been hugely successful. Industrial interventionism is, therefore, neither a common characteristic of these four economies, nor does it differentiate them from less successful ones. As an explanation for their triumph, "industrial policy" is worthless.

Furthermore, even where selective industrial policy has been associated with success, as in the case of South Korea, it has had problematic results. In the 1970s and early 1980s, for example, a relatively capital-intensive pattern of development was promoted, which most observers would now accept was a mistake.

The South Korean combination of financial distortions with targeted protection has also nurtured a dualist economy, dominated by a limited number of favoured conglomerates (the *chaebol*). Since these enterprises competed in product markets both abroad and at home, they were forced to be efficient. But their access to government-granted privilege was a source of corruption. Furthermore, they came to rely upon – and so became closely associated with – the coercive apparatus of the state.

Most important of all, these east Asian developing economies all had authoritarian governments, in this case relatively benevolent ones. One reason this may have helped development is the Chilean one: they were better able to resist popular pressures to spend and to intervene too freely. But, for the more interventionist among them, authoritarianism had another benefit: it allowed their governments to act in pursuit of economic efficiency.

From the experience of South Korea and Taiwan, one might even suggest the following necessary conditions for successful selective interventionism:

- an overriding imperative towards economic growth;
- possession of the prestige and the power to impose decisions upon industrial lobbies;
- a high level of technical expertise; and
- the ability to see where the economy might go, by looking at other economies further down the development path.

The Confucian attitude to bureaucracy, the threat to survival both countries faced, the example of Japan, and the absence of democratic political pressures all combine to explain why the governments of South Korea and Taiwan were able to make their selective interventions relatively sensibly. But these are exceptional conditions. They cannot be the basis for a policy rule. Fortunately, the interventionism of South Korea and Taiwan does not seem to have been necessary for success. If the price of successful interventionism is authoritarianism, it is one that does not have to be paid.

For eastern and central Europe today, the Chilean example is a warning of what might happen if they cannot eschew infantile populism. Meanwhile, the east Asian model is a snare. As fledgling democracies with discredited and incompetent bureaucracies, there can be no fairy government-mother for them. Fortunately, even east Asia's experience does not demonstrate that a selective industrial policy is essential for economic success. The market may be imperfect, but it will work. What reforming countries need is democratic constitutions that allow it to do so, not more interventionism.

Not simply a numbers game

Peter Marsh on the search for the UK's new statistical supremo

Do you have a head for figures, a knowledge of economics, managerial aptitude and an ability to deal with politicians and pressure groups? If so, your name may have been toyed with as a possible head of the UK Government Statistical Service (GSS).

The successful candidate – an announcement is expected in the next few weeks – will be required to fulfil a demanding range of functions. He or she will have to:

- Run an organisation of 4,500 employees and an annual budget of about £120m, which analyses anything from the UK's balance of payments to its birthrate. Customers include government ministers, City economists, finance directors and social scientists.
- Satisfy increased demands from the Treasury about improving the accuracy of economic statistics – a vital tool in monitoring the economy. Most economic statistics are collected by the Central Statistical Office (CSO), the best-known part of the service.
- Preside over the transformation of the office into an organisation which will be expected to raise more money from the private sector, and work to definite performance targets. The change to an executive agency, part of the government's Next Steps programme for the civil service, takes place next Tuesday.
- Soothe an array of pressure groups and professional statisticians who say that the UK's system for collecting statistics is inefficient, and provides too few safeguards regarding the integrity of the figures.

Korn/Ferry International, a specialist headhunter, has drawn up a short list of possibles to take over from Sir Jack Hibbert, a statistician who has headed the CSO and GSS since 1985, and who retires in February. But several potential candidates have turned down approaches, at least partly because of the broad nature of the job description.

One of the difficulties is that the service is not a coherent body. It comprises the CSO, plus about 10 other separate units. These are the statistical divisions of separate Whitehall departments such as education and health, and employ about three-quarters of the total GSS staff. In the way the job is structured, the successor to Sir Jack will be formally in charge of the statistical output of the whole of the service, but responsible in management terms only for the office.

This decentralised approach makes little sense to Professor Fred Smith, a statistician at Southampton University and president of the Royal Statistical Society. Prof Smith would like the GSS to be brought together as a discrete unit to enable statisticians to see the wider picture. "At the moment the service director is a figurehead," he says.

A second problem is the increased pressures on the office to get its statistics right and reduce revisions. In recent years ministers have pinned a large part of the blame for the mid-1980s economic overheating on faulty statistics, which they say gave a distorted picture of events, and have demanded improvements. (They have also increased the CSO's staff by 100, and increased its annual budget by roughly 10 per cent to about £32m.) But the CSO's job is made more difficult by the complexity of a modern economy with its vast number of sectors that need monitoring and by the virtual impossibility of counting the money that flows in and out of the UK via global capital markets.

A third challenge for Sir Jack's successor will be to change the culture of the office.The goal, as with the other 50-odd executive agencies set up by the government, will be to introduce more commercial ideas, such as efforts to raise money from outside bodies by tailoring sets of statistics to the needs of specific customers. But some doubt that this commercial approach can be combined with that of serving the needs of government.

Finally, several lobbying groups have argued for a watchdog statistical body to monitor the work of the GSS to ensure that statistics are not manipulated for political ends. The Labour party, for instance, has alleged that the government orchestrated changes during the 1980s in the basis for measuring unemployment totals to put its economic policies in a more favourable light – a claim rejected by ministers.

Mr Bob Markless, joint co-ordinator of a group called Social Science Forum, which represents users of statistics in fields as diverse as overseas aid and tax reform, says: "With the current arrangements for government statistics, it's difficult to put your hand on your heart and say all the figures are clean."

One of the biggest arguments over choosing Sir Jack's successor is whether this person should be a statistician. The government annoyed many professional number crunchers by saying he or she need not necessarily be statistically qualified – a statement likened by some to appointing a new head of Scotland Yard who is not a policeman.

Ministers have reacted to these criticisms by considering a plan to split the top job between a professional manager, and a second-in-command who would be a statistician. The latter would bear most of the responsibility for running the service, apart from the CSO. Whatever happens, it is clear that Britain's new statistical supremo will need plenty of verve and a good business brain – not just a knowledge of mathematics.

OBSERVER

More bite in palladium

■ Did you know that rising German unemployment is good for the palladium price? Admittedly, the connection is a little obscure, but bad teeth provide the link.

It seems that many more people these days are willing to have holes in their teeth filled with palladium-rich alloys rather than the more-expensive gold ones. The yellow metal costs more than four times as much as its dull sister.

In particular, sales of palladium dental alloys have jumped sharply in Germany since unification. The state insurance scheme pays all the costs of dental treatment for the jobless and the newly unemployed in the eastern half are taking full advantage of this provision.

According to Jeremy Coombes, author of Johnson Matthey's latest platinum bible, German determination to ensure that citizens don't have to lose their teeth just because they have lost their jobs will cause western European demand for palladium to jump by 20 per cent this year, to 300,000 ounces.

That should put some bite back into palladium demand, which has been on a plateau for the past three years.

No free lunch

■ When the hired jet taking Burmah Castrol big-wigs from Warsaw to Moscow, put in a surprise stop in Minsk to undergo customs and passport formalities, Burmah Castrol boss Lawrence Urquhart and his men were politely invited to disembark.

They were still not half-way towards their destination – where they were to sign a joint venture agreement with the giant Volgograd refinery. Johnathon Fry, the company's md, insisted that the official niceties had been observed and they were already late.

But the authorities were firm. Inside the all-but deserted airport the oil men were met by two Minsk citizens who had arranged a large and unappetising meal. It emerged that, grasping the opportunity, they had decided to petition for work. Their suggested salaries? £10 a month.

Urquart, embarrassed but favourably surprised, is weighing up the offer.

Glasnost

■ Overheard yesterday morning at Cambridge railway station:

Passenger to train driver: "Can you tell me please if this is the 8.47 to Liverpool Street?"

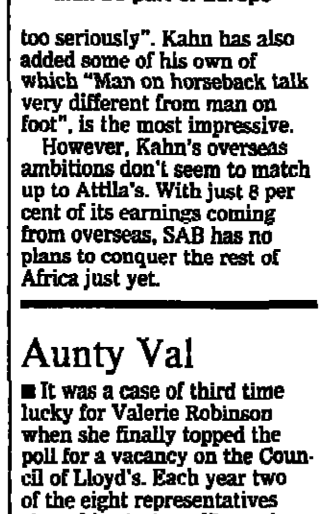
Guard to passenger: "No I can't tell you; I'm far too busy trying to get the train to work."

Meanwhile, full marks to the tube train driver on London's Northern Line who, after apologising for the delay, admitted "this is due to a complete cock-up."

Attila he say

■ Meyer Kahn, the redoubtable chairman of giant South African Breweries, controls 95 per cent of the South African beer market, so it is perhaps no surprise that he counts the all-conquering Attila the Hun among his business heroes. By the same token Attila would have been proud of SAB's latest profits.

After picking up a business school award for managerial excellence recently, the 51-year-old Kahn cited eight different leadership rules he had learned from this "remarkable man". Among the more memorable bits of advice he had picked up were: "Your greatness will be made possible through the extremes of your personality"; and "Great chieftains never take themselves



"I'd rather drink Lucozade than be part of Europe"

too seriously". Kahn has also added some of his own of which "Man on horseback talk very different from man on foot", is the most impressive.

However, Kahn's overseas ambitions don't seem to match up to Attila's. With just 8 per cent of its earnings coming from overseas, SAB has no plans to conquer the rest of Africa just yet.

Aunty Val

■ It was a case of third time lucky for Valerie Robinson when she finally topped the poll for a vacancy on the Council of Lloyd's. Each year two of the eight representatives elected by "external" members come up for re-election to the 28-strong Council.

After two previous rebuffs she had been reluctant to try again. But her reputation has shot up recently since she has been functioning as the market's official agony aunt operating a help-line set up this June for members in difficulties. This has involved sitting patiently at the other end of the phone and absorbing sometimes intemperate comments from members incircumstances financially reduced – or worse – by a system that invariably they did not understand.

A former WRAF officer and the widow of a BOAC pilot, she has been involved with the world-wide Association of Members of Lloyd's since before its inception in 1982.

A lady with a stiff upper lip, she joins the Council as Lloyd's is embroiled in its worst crisis yet. Now she will be called upon not just to listen but also to speak.

Spot on

■ Photocopier sales executives are honest, decent chaps, undeserving of the bad press surrounding their industry. So say some 250 British businessmen who were questioned by LCS Business Services, a Bedfordshire-based copying services group. The study shows that photocopier sales executives – who ranked third out of 12 – are perceived to be twice as honest as politicians, and six times more so than everyone's *bètes noires*, time-share salespeople. But according to one LCS employee, the real surprise was the occupier of the number two slot: bank managers. They were only marginally pipped out of the number one spot by solicitors.

Up a bit

■ Paris is in France, Berlin is in Germany, Vienna is in Austria, Stockholm is in Sweden, and Copenhagen is in Denmark. But the mighty Du Pont still seems to be under the impression that Edinburgh is in England, not Scotland, judging by the US multinational's expensive 1992 calendar – Beautiful European Towns.

It will probably cost the company the price of a new catalytic cracker on the Clyde to humour the touchy Scots after a snub like that.

A tricky balancing act for regulators

The drugs industry says harmonising tests would save both time and money, writes **Paul Abrahams**

For three years, the world's drugs industry has been trying to lighten the heavy financial burden of regulation by persuading national regulators to standardise their rules. At last it seems to be making some headway.

An ambitious initiative was announced this week after18 months of tricky negotiations and sustained lobbying from pharmaceuticals companies. This followed a meeting of the regulatory authorities from the world's three largest markets, the US, EC and Japan, in Brussels.

The aim is to reduce the time needed to bring new products to market and so cut the cost of developing drugs. The campaign has been given added urgency by a coincidence of financial interest between the drugs companies and governments. The former claim harmonisation could eventually save lives and money; the latter hope to gain through more cost-effective treatment of patients.

Last week's negotiations between the US Food and Drug Administration, the Japanese Ministry of Health and Welfare and the European Commission were a first step towards harmonisation. But drugs companies detect more differences than similarities of approach between the authorities. And some regulators worry that speeding up drug approvals could jeopardise drug safety.

Although progress will be slow, the drugs industry believes the case for harmonising tests for safety, quality and effectiveness of drugs is strong. It argues that the potential benefits of eliminating what it sees as excessive red tape include:

- A reduction in product licensing time. Drugs companies now have to duplicate experiments on animals and humans to provide different data for different countries. "This is silly, if you think about it," says Dr William Currie, executive director of clinical and regulatory development at Merck of the US. "All regulatory authorities have the same object – to ensure people's safety. But they're going about it in different ways."

If the regulators agreed similar methods for achieving the same objectives, new drugs could be brought to market more quickly – for instance new treatment for Aids patients. This, claims the industry, could save lives.

- Better control of the costs involved in developing drugs. The expenditure required to negotiate the different hoops set by the regulatory authorities has become exorbitant. In the US, for example, the cost of guiding a new drug from its discovery to the market-place had risen from $54m in 1976 to as much as $230m by last year, according to the Pharmaceutical Manufacturers Association.

Much of that additional burden has stemmed from increased testing procedures and submitting the results to the regulatory authorities. More than 60 per cent of the $30bn spent yearly by the world's pharmaceuticals industry on research and development is spent in this way.

"Reducing regulation could have a big impact on costs over the next few years. We may not achieve lower costs, but the rate at which research and development expenditure is increasing could be slowed," says Dr Richard Arnold, executive president of the International Federation of Pharmaceutical Manufacturers.

- An increase in drugs companies' revenues. About 12 years, on average, are required to navigate the regulatory hurdles between the discovery of a drug and its launch. That compares with seven years during the early 1980s. Given that most patents expire after 20 years, the drugs companies only have about eight years in which to re-coup investment.

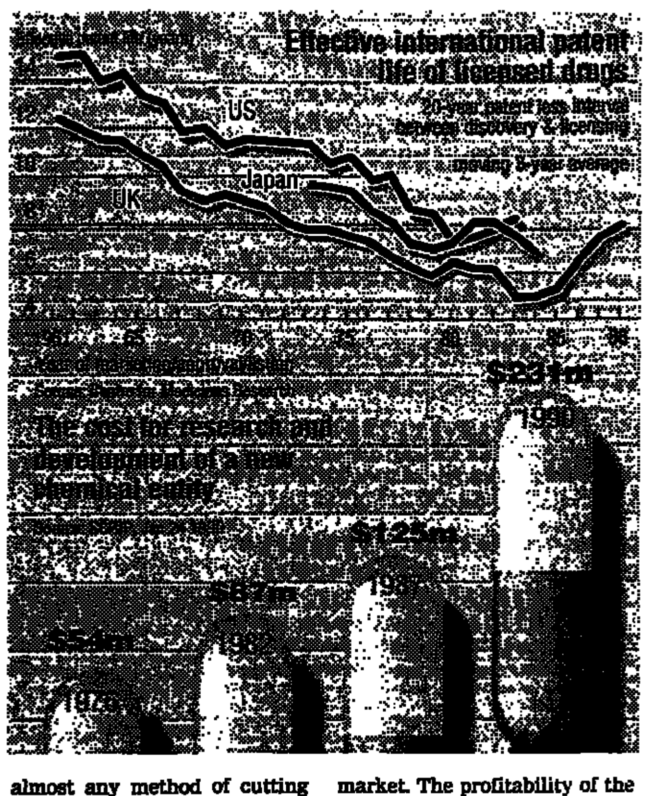
If excessive regulation were eliminated, argue the drugs companies, the additional returns generated from the extended profitable patent life of products could be reinvested in research.

- A reduction in animal tests and clinical trials on humans.

In the past such arguments have cut little ice with regulators, concerned with the need to avoid a repetition of such tragedies as Thalidomide.

"Thalidomide was a shock," explains Dr Currie at Merck. "The political urgency to do something – and be seen to do something – was such that nobody thought much about what the best method of regulating drugs might be."

The regulators have finally been forced to the negotiating table by political pressure from their governments. The time and costs incurred in licensing drugs have become significant for governments which view almost any method of cutting the price of drugs as appealing.



In Europe, health expenditure now accounts for between 7 and 9 per cent of gross national product, while in the US the figure is more than 12 per cent. Spending on drugs averages about 10 per cent of health expenditure.

In addition, the process of harmonisation within the EC itself and the creation of a potentially huge unified European market have caught the attention of both American and Japanese pharmaceuticals companies. Costs have become such they that can no longer make profits only by exploiting their national markets.

The Japanese, in particular, have surprised the industry by becoming firm converts to the cause of harmonisation. Last week, the Japanese proved particularly keen to compromise – the result, say industry analysts, of their desire to increase Japanese pharmaceuticals exports, which have won only 5 per cent of the world's drugs market. The profitability of the Japanese domestic market has been undermined over the past three years since the government introduced mandatory price cuts.

Most pharmaceuticals companies believe the main achievement of last week was that all three regulatory bodies actually sat down to discuss the issue.

"We were all cynical about whether the regulators were interested in change," admits Mrs Frances Charlesworth of the Association of the British Pharmaceutical Industry. "A key achievement was that all three regulatory blocs committed themselves, openly and publicly, to harmonisation."

Another step was a *de facto* moratorium to prevent national regulatory agencies creating greater divergences by introducing different tests for similar drugs, especially those created by biotechnology.

Similar progress has also been made on animal testing:

- A test called Lethal Dose 50, which involves giving rats and dogs increasing volumes of pharmaceuticals until half of them die, has been abolished.
- Year-long toxicity studies in rodents and mammals have been replaced by six-month studies.

While these steps represent significant advances, further headway has been blocked for institutional and medical reasons. On the medical side, progress on testing the effectiveness of drugs has been held up by cultural differences in medical practices between regions.

The main institutional obstacle to harmonisation appears to be the attitude of America's FDA, which warned this week that it could take more than 18 months to adopt the planned changes to drug guidelines.

On Wednesday Dr David Kessler, the recently appointed FDA commissioner, promised faster licensing and admitted, in a reordering of agency priorities, that it was important not only to keep unsafe drugs off the market but also to get safe ones on to it.

The industry is looking for practical results from the FDA. Some companies note that even if guidelines are agreed, they will still be open to the interpretation of American officials.

One US drug company executive complained: "Conservatism is rewarded at the FDA. No one ever received a congressional medal for passing a drug – only for stopping one. There has to be a change in attitudes with the FDA itself."

The FDA, for its part, is split. Its directors recognise the need for faster and simpler approval procedures; some other officials worry that moves in that direction might put patients at risk.

Some independent experts agree that the case for speeding up drug approval procedures is not clear-cut. According to Dr Joe Collier, a consultant in clinical pharmacology and expert on regulatory affairs, regulators' fears about accelerated licensing could be justified. "Faster licensing is fine, as long as more thorough surveillance systems are put in place once the drugs have been marketed," he says. "The problem is those systems aren't in place. The regulators will have to be more willing to review – and withdraw – drugs if there are unwanted side-effects."

There is the regulators' dilemma: by licensing drugs quickly, they might save thousands of lives; they might, on the other hand, set the scene for another Thalidomide tragedy. It will be a tricky balancing act in the years ahead.

Joe Rogaly

Europe on top

Mr John Major has had a good week. The prime minister has got the domestic politics of Britain's relations with the European Community exactly right – so far. He looks like a man who knows what he is doing, and he is going about it with a sure touch. The party is being roughed up. The opposition is being sewn up. The country is being softened up.

Do not draw the wrong conclusion from this uncharacteristic flurry of bouquets. Stick with me and you will enjoy the comfort of seeing normality restored: there is a knot of thorns in the offing. But first, credit where it is due.

Mr Major's address to the Lord Mayor's banquet on Monday night set out a defensible approach to the intergovernmental talks on economic, monetary and political union of the European Community. We must be at the heart of EC affairs, he said in effect, but not at any price. Yes to more intergovernmental co-operation; no to more Brussels bureaucracy. As to a single currency, well, maybe one day if the others go ahead and circumstances are right. This increasingly familiar song is in harmony with British public opinion.

Consider, for example, the Mori poll, which was reported in The Sunday Times on November 3. Mori's records show that support for a single European currency has fallen from 40 per cent a year ago to 36 per cent now. Meanwhile, disapproval has grown from 42 per cent to 53 per cent, the number of don't knows having declined sharply. Yesterday's ICM poll in the Guardian shows a similar negative rating, with only 25 per cent approving of the adoption of a single currency. (ICM specified the replacement of the pound; Mori's initial question did not.) Compared with last November, more ICM respondents now see the EC as a "single market" rather than a "single community", and an overwhelming majority oppose giving more power to EC institutions.

One explanation for these figures may be that last year's more favourable score reflected not so much a British predilection for federalism as general antipathy to the then prime minister, Mrs Margaret Thatcher. Anything she of "No no no" opposed in Europe is thought to have been regarded by some respondents as by definition worth supporting. With her off the stage the normal level of British insularity has been restored.

Yet it would be a mistake to interpret these figures as a vote for little England. Mr Major's presentation of his strategy on the political union treaty is very much that of the pragmatic Englishman, willing to go along with what is reasonable, but with heels stuck in against what is not. He advocates the common sense approach of doing a deal, while rejecting such icons as the word "federal" and turning down as many as possible of the proposals to extend Community competence into domestic affairs.

Nicholas Ridley, the most xenophobic ex-bigwig, could be seen wriggling on television

Defence, foreign policy, and border controls are regarded as sacrosanct. His formulation on the single currency, which lets Britain have its cake and eat it, should go down well.

Knowing this, the prime minister's performance at question time on Tuesday was confident, that on Thursday competent. Meanwhile, in mid-week, the foreign secretary, Mr Douglas Hurd, played to perfection the role of hard cop in the EC negotiations, adding to the image of a double act that can be trusted to get Britain safely through the EC summit next month. The ICM poll supports such a view: asked to choose either Mr Major and Mr Hurd or their Labour counterparts, Mr Neil Kinnock and Mr Gerald Kaufman, as the team to look after their interests at Maastricht, ICM respondents voted 46 per cent for the government pair, 23 per cent for the opposition.

Mr Major's most satisfactory moment may have come on Wednesday night, with the news that his slate had swept the House of Commons backbench committee on European affairs clean of his opponents. The ousted chairman, the apparently irreconcilable Mr William Cash, was shown to be small change. That was the cream. There were cherries on top. Mr Norman Tebbit, he of the bicycle-chain tongue, was exposed as having the cowardice of his convictions: he had not dared to stand for the chairmanship.

Later that night Mr Nicholas Ridley, the most xenophobic ex-bigwig of them all, was to be seen wriggling on television. Visibly strained, he sought re-instatement as a true Conservative by appearing to retract his earlier advice to people to vote for candidates, of whatever party, who opposed further development of the European Community. He declined to oppose Mr Hurd's "concession" to the European parliament of a circumscribed right of veto over some of the bills passed by a qualified majority in the council of ministers, saying that this might be helpful.

So far, so good. The prime minister is now as well prepared as he could hope to be for next week's big debate on the EC. If Mrs Thatcher herself decides to oppose him she may damage both him and the party, but he could have done no more than he has to limit the danger. He has tried his best. That's enough bouquets.

The thorny question is, does Mr Major's clear understanding of the domestic politics of the matter extend to an appreciation of the historic forces at work? Mr Hurd knows that most of the other members of the EC want a strong, federal union, but argues that they cannot have it this year, not if they want Britain's agreement. He is right – but there is life beyond the next general election. The strong centripetal force created by a near-universal European desire to tie Germany down cannot be withstood forever.

In short, the United States of Europe will not be created at Maastricht, but conception may take place. Will the Major/Hurd team know it is happening when it does? Or will they just be thinking of England?

LETTERS

Banking supervision and the European dimension

From Prof R P Kinsella.

Sir, An important, but largely overlooked, aspect of the current discussions on monetary union in the run-up to Maastricht relates to the role of a future European central bank in the area of prudential supervision.

In his introductory letter to the draft treaty on Emu the Dutch finance minister notes that the issue has not even been raised in the ministeral meetings. He goes on to say that, in his view, the subject merits "considerable attention...It is logical and necessary ... that co-ordination of supervision should be strengthened and some centralisation of powers discussed".

Why the absence of discussion? The Delors Report specifically envisages that the European System of Central Banks (ESCB) would participate in the co-ordination of banking supervision policies of the supervisory authorities. Clearly, prudential supervision will remain an area of substantive interest to national authorities. But there there is an obvious synergy between the monetary responsiblities of the ESCB and supervision. Equally important, the fact is that structural changes in European financial markets and the increased importance of integrated EC payments clearance and settlements systems are systemic developments that require an increased supervisory capability at a European level.

The BCCI debate provides a compelling case for some strengthening of the European dimension to prudential supervision within the EC. Since this is the responsibility of central banks in most countries, it follows that it should be addressed in establishing the role and mandate of the ESCB.

R P Kinsella,
professor of banking and financial services,
University of Ulster,
Coleraine, Co Londonderry

A conspiracy of silence keeping BCCI depositors from the truth

From Mr Adil Elias.

Sir, You have given generous coverage of the background to the closure of BCCI and the articles have been most illuminating. May I draw to your attention to some disturbing features of this affair.

More than half the depositors by value in the UK branches of BCCI come from overseas. We banked here because we trusted the Bank of England's competence as a regulator. We are the victims of the failure of the Bank of England to live up to the promise made in the statement of principles forming schedule 6 to the Banking Act 1987 where the Bank of England said that it had the powers to intervene before there was any serious risk to depositors' funds.

Now there seems to be a conspiracy of silence to prevent us from finding out what went wrong and what is going on. In writing the terms of reference of the Bingham Inquiry, the government took pains to exclude any reference towards its duty to protect depositors. The inquiry is being held in private and depositors are not represented. Depositors have no confidence in such a proceeding.

This discrimination against depositors continues. Even the provisional liquidators, who are being paid from our monies, are refusing to keep creditors informed. They say they are acting in our best interests and that we should not inquire. It is thoroughly unsatisfactory that we creditors should learn more from the press than from the persons paid to act in our interests.

Our trust in London as a banking centre has been severely shaken. If there is continued exclusion of depositors from participation in the investigation and recovery proceedings, we will also lose confidence in British justice.

Adil Elias,
chairman,
BCCI Depositors' Protection Association,
11th floor, Station House,
Stonebridge Park,
Wembley, Middlesex

An England of regions is the way forward in a Europe of regions

From Ms Joyce Quin MP.

Sir, Your editorial, "A Referendum for Scotland" (November 13), once again dismisses Labour's plans for devolved assemblies in England as a device for covering up the difficulties over Scottish representation at Westminster in the event of Scottish devolution.

This seems to be the fashionable view among London-based commentators yet completely ignores the strong regional feelings among many "English" Labour MPs – particularly, but not exclusively, in the north. Devolution is not seen by them as a device but as a positive way forward after years of indifference and neglect by central government. The north-east, for example, has had an even higher level of support for Labour in recent general elections than has Scotland yet has seen local government powers curbed and the imposition of Tory-dominated quangos to deal with the region's affairs.

While you are right in highlighting the importance of the European dimension in all this, what is being talked about is a Europe of the regions as well as of the nations. So why, in the UK context, can this not be applied to the benefit of the English regions as well? The system of the *Länder* in Germany, and the regionalisation process in Spain, France and Italy all provide useful examples from which we can learn.

Joyce Quin,
House of Commons,
Westminster, SW1

Need to focus on performance factors when determining pay

From Mr R Gilbert.

Sir, Companies are successfully determining pay in the light of their business circumstances. The Confederation of British Industry's Pay Databank evidence demonstrates that settlement levels have almost halved in the last 12 months and led the headline inflation rate down.

It is vital, with the recovery and the European Single Market approaching, that we maintain this progress. Pay must be determined by performance factors – profits, productivity, quality and service – rather than inflationary factors such as the RPI and skill shortages.

That is the key message in the CBI's Pay and Performance Presentation which we offer to employers as background material against which to make their own decisions. There is no question of the CBI making a joint assessment of economic data with the TUC, as your labour editor suggested (November 13). What was offered, in the presentation to the NEDC last month, was that CBI officials would be willing to go through the facts and their sources, if that would help their TUC counterparts.

Before the 1990s, we had two decades of attempts at co-ordinating pay around nationally identified norms. Voluntary co-ordination always turned into statutory compulsion and, as I pointed out to the Campaign for Work, the outcome in terms of inflationary and uncompetitive pay growth, as well as in the balance of jobs generated, grew progressively worse. More additional jobs were created in the last decade than in the previous two combined. As your editorial "Closing Britain's Productivity Gap" (November 12) noted, with pay growth reined in, record productivity growth was achieved, and our unit labour costs began to improve.

What we need to do in the 1990s is to build on that by improving the focus on performance factors when determining pay, by tackling inflationary pressures, and by building up training efforts. I have no doubt that the government and its advisers are agreed that further moves in these directions hold out a better prospect than "co-ordinated" pay, with its inevitable incubus of "norms" that don't have to be earned.

R Gilbert,
director,
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103 New Oxford Street, WC1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Friday November 15 1991

Hollow praise for Japan rate cut

Stefan Wagstyl on reaction to the latest move by the Bank of Japan

THE Bank of Japan's decision to cut the Official Discount Rate (ODR) yesterday was welcomed by the usual chorus of carefully-orchestrated statements from bankers and industrialists.

Led by Mr Gaishi Hiraiwa, the chairman of the Keidanren, the main employers' organisation, the business establishment declared its support for the central bank's move to reduce the key short-term interest rate from 5.5 per cent to 5 per cent.

But their praises sounded unusually hollow. At a Keidanren meeting only a few days ago senior industrialists had berated Mr Yasushi Mieno, the central bank governor, for his monetary policy and accused him of driving the economy towards recession by keeping interest rates too high.

A few were angry enough yesterday to break with protocol and criticise the governor on the day the cut was announced. Mr Katsunosuke Maeda, president of Toray Industries, the textiles company, said the reduction had come rather late. And Mr Tomiichi Akiyama, president of Sumitomo Corporation, the trading house, said the cut had merely followed market trends and expressed concern whether the bank's move could prevent the economy from slowing further.

Mr Mieno cannot afford to ignore industry – not least because he values its role and is aware of its political clout. So in listing the reasons for his latest rate cut he specifically mentioned weakening business confidence alongside other factors such as fading upward pressure on prices and decelerating economic growth.

But officials believe businessmen are over-pessimistic. Mr Tadao Chino, the international vice-minister for finance, said that, except for housing and cars, the economic figures were "very good". But businessmen's outlook was "becoming rather cautious".

Central bank and Finance Ministry officials remain convinced the economy is on a gently declining trend. They acknowledge that some industries, notably housebuilding and autos, have seen sharp drops in sales. But they insist the economy as a whole shows little sign of entering a "growth-recession", which in Japanese terms means a period in which GNP growth falls below 3 per cent a year.

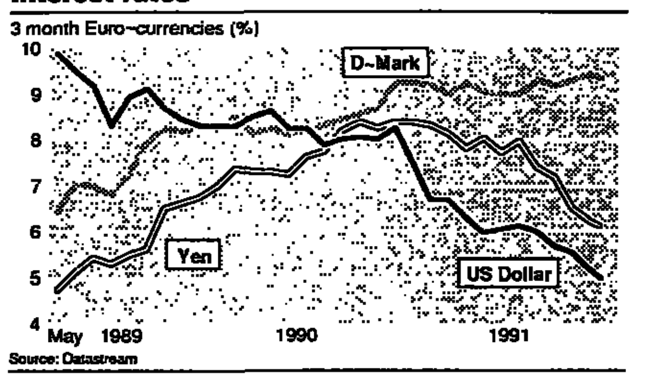
The government's GNP forecast for the financial year to next March remains 3.8 per cent.

Meanwhile, to Mr Mieno's satisfaction, the latest price data seem to show that the squeeze on inflation is working. According to figures published yesterday, wholesale prices in October fell 0.9 per cent year-on-year. The rate of increase in consumer prices has slowed to slightly over 2 per cent.

Businessmen, however, are concerned at the number of large companies which have announced sharp cuts in capital spending, notably semiconductor makers.

This week, Nihon Keizai Shimbun, the business daily, published a survey showing that 100 top companies expected investment in plant and equipment to rise just 6.8 per cent in the financial year to March 1992 – the lowest increase in four years. For 1992-93 they expected a decline – the first in six years.

Interest rates



Source: Datastream

Central bank officials say even after a slight decline investment would remain at an extraordinarily high level. But some officials are concerned that the Bank of Japan's next survey of business trends – to be carried out this month and published in December – will show a marked decline in confidence from the previous one in August.

However, it is difficult to see how the central bank could change from its current policy of gently easing rates, even if it wanted to. An unexpectedly sharp cut in rates would look like an over-reaction and so might hasten rather than prevent the further decline in business confidence.

Looking at the central bank's record so far, private sector economists do not expect Mr Mieno to reduce rates again before next February or March – and then only by another 0.5 percentage point.

In any case, changing the ODR is no longer as powerful a weapon as it used to be. Following partial interest rate liberalisation, it has become a largely symbolic, though potent indicator of central bank policy. In cutting the ODR now, as at the last reduction in July, Mr Mieno has largely followed a steady decline in short-term market rates.

As a result his move has provoked little reaction from investors. In the stock market, the Nikkei index fell 239 to 24,176.54, following a 251-point decline on Wednesday. Bond prices barely changed.

Poll shows Israelis back land-for-peace

By Hugh Carnegy in Jerusalem

ALMOST 75 per cent of Israelis favour exchanging occupied Arab land in return for peace, according to an opinion poll made public yesterday. The poll results were announced as Mr Yitzhak Shamir, the prime minister, prepared to fly to the US for talks with the American Jewish community, culminating next Friday in a meeting with President George Bush.

The date and venue for the next round of Middle East peace talks is expected to be announced after the talks between the two leaders. The US, European Community and Arab states engaged in the peace talks regard territorial concessions by Israel as an essential element of any peace settlement.

The survey of 80,766 people, the biggest sample ever taken in Israel, suggested that Mr Shamir's tough stance against such concessions was out of line with public opinion.

Other opinion polls have long suggested that a majority of Israelis would accept a land-for-peace deal given cast-iron assurances on security. But the latest survey pointed to a much bigger majority than previous polls.

It was conducted by Professor Avi Degani of the Geocartography Institute at Tel Aviv University on behalf of an organisation affiliated to the Israeli Labour party, which favours a land-for-peace deal.

The poll found that 74 per cent of respondents favoured giving up at least part of the West Bank and Gaza in exchange for peace, although only 16 per cent wanted immediate abandonment of the territories.

Only 9 per cent agreed with the government's ideological position that the West Bank and Gaza were an integral, non-negotiable part of Israel, although a further 11 per cent would not give them up for security reasons.

The government, which itself has shown up as commanding strong public support in other polls, did not believe the survey accurately reflected public opinion, according to a spokesman.

It may, however, lend credence to the belief held privately by US officials that, while supporting Mr Shamir as a tough negotiator, the majority of the electorate expects him to make concessions on territory at some point.

Mr Shamir will also be hoping for assurances, so far withheld by the Bush administration, that Israel will receive guarantees to back borrowing of $10bn when the issue comes before Congress in January.

Surge of optimism engulfs Palestinians, page 4

Prince Sihanouk returns to Cambodia

By Victor Mallet in Phnom Penh

PRINCE Norodom Sihanouk returned to Cambodia yesterday after 13 years in exile, carrying with him the country's hopes for reconciliation and revival.

The 69-year-old politician, gourmet and amateur film director – who once described himself as "a very bourgeois prince" and "the short, gregarious Cambodian king" – arrived from Beijing to head the Supreme National Council, which will help the United Nations prepare for elections in 1993.

Smiling broadly, Prince Sihanouk hugged old friends and greeted western diplomats. Barefoot Cambodian women danced for the prince and his wife, Princess Monique, and threw petals at their feet. The couple then squatted in prayer before a chorus of saffron-robed Buddhist monks.

Accompanied by Mr Hun Sen, the Vietnamese-backed prime minister, Prince Sihanouk was driven to his palace in a 1963 Chevrolet convertible flown in from neighbouring Thailand; the car's previous passengers include two Miss Universe competition winners and Thai boxers who won medals at the Seoul Olympics.

Apart from the well-organised ranks of flag-waving schoolchildren, the Prince's arrival was a low-key affair, a sign of political apathy after the years of bloodshed which culminated in the Khmer Rouge's reign of terror in the late 1970s.

Prince Sihanouk's return to the palace overlooking the confluence of the Tonle Sap and Mekong rivers is a crucial development in the diplomatic process to end the international isolation of Cambodia, Laos and Vietnam, the country which invaded Cambodia and ousted the Khmer Rouge in 1978.

However, the tasks awaiting the SNC – an umbrella organisation composed of the four main Cambodian political factions – and the UN as it embarks on its costliest peacekeeping operation are enormous. About 350,000 refugees expect to be repatriated from Thailand, but the countryside is littered with mines and fighting has been reported north-east of Phnom Penh in the last few days, in spite of the ceasefire which came into effect with the peace accords signed in Paris on October 23.

A group of Catholic charities said this week: "We appeal to governments and the international community to deliver large-scale relief and aid to the people of Cambodia.

"We stress the gravity of the social and economic situation in a country which has been totally destroyed and completely isolated for the last 20 years."

Those educated Cambodians who have not been killed or exiled seem to be pleased about the return of their "god-king", but are often worried about the inclusion of Khmer Rouge leaders in the SNC.

It is not yet clear if Prince Sihanouk, who skilfully helped broker the peace agreement, has the will or the authority to keep the Khmer Rouge out of power and return his country to what one western ambassador called "the mainstream of human life".

In a recent book recalling his meetings with world leaders, the Francophile Prince Sihanouk said of former French President Charles de Gaulle: "He persevered, waited patiently, and never gave up, and was therefore ready when his country called on him to serve once more. I only hope I can emulate his steadfastness as the opportunity to build a new Cambodia approaches."

Serbia and Croatia agree to enforce ceasefire

By Laura Silber in Belgrade

SERBIA AND CROATIA have agreed to enforce a ceasefire which will pave the way for the deployment of United Nations peacekeeping forces, Lord Carrington, chairman of the European Community peace conference, said yesterday.

The former UK minister warned, however, that the ceasefire must hold before any international forces were sent into the country.

The announcement, which offers the first signs of hope for civilians caught up in the fighting, coincided with a truce between Croat forces and the federal army in the medieval city of Dubrovnik.

There was no let-up in the fighting in the eastern Croatian town of Vukovar, which is almost completely destroyed after a 90-day siege by the army, and in other parts of the breakaway republic.

Lord Carrington returned to Yugoslavia on Wednesday after President Franjo Tudjman of Croatia and President Slobodan Milosevic of Serbia called for UN peacekeeping troops.

But yesterday, following talks with General Veljko Kadijevic, the federal defence minister, Lord Carrington said: "There is agreement on all sides that there should be a peacekeeping force from the United Nations . . . but peacekeeping troops could be deployed only if a ceasefire was in place."

He stressed that "everything depends on the ceasefire, and after 12 ceasefires, one cannot be very optimistic that it will hold".

Serbia and Croatia still disagree about where UN forces should be positioned.

Lord Carrington added: "There are certain grey areas which have to be sorted out about the modalities and the implementation of a peacekeeping force."

After talks in Belgrade, the federal and Serbian capital, Lord Carrington travelled to Sarajevo, the capital of Bosnia-Hercegovina, which many fear will become the next flashpoint of violence among its ethnically mixed population of Slavic Moslems, Orthodox Serbs and Catholic Croats.

He will report back to the EC and the UN to discuss the deployment of UN peacekeeping forces.

In spite of agreement on all sides to implement this latest ceasefire, Croatian radio reported heavy fighting throughout the republic. It said one person died and 10 were wounded after a federal army jet attacked a factory in the eastern Croatian town of Djakovo. The central towns of Sisak and Postupko came under mortar and artillery fire.

In Dubrovnik, a relief vessel evacuated nearly 4,000 people from the city after a four-week siege by the Serb-dominated federal army.

But Croatian radio reported that thousands of residents trapped in the city had begged to be allowed on the ferry.

Food provisions and medical supplies have almost been exhausted.

Priority had been given to pregnant women, children, the sick and wounded, and refugees from other war zones.

Editorial comment, Page 16

Optimistic start to Bonn talks

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl and President François Mitterrand last night expressed cautious optimism at the progress in the EC negotiations on economic and political union, and above all at the apparent "evolution" in the British position.

At a first round of talks at the Franco-German summit in Bonn, the two leaders said they had no differences on political union, and believed that none of the remaining issues was "out of reach of a compromise". On economic and monetary union there were only minor disagreements.

A spokesman for Mr Mitterrand said both leaders welcomed the signs of movement by Britain in the negotiations, and dismissed the evidence of a tougher stance at the end of the debate as "a matter of presentation".

"Nobody wants the summit at Maastricht to lead to the isolation of Britain," he said. "That is our starting position. If the British confirm this tendency to develop towards a Community position, then it should be possible to try to find final compromises." He then added: "But it is not a question of making any concessions."

He said the French and German leaders had expressed concern at the clause allowing any member state to opt out of the treaty on economic and monetary union at the last moment. Instead of backing an open clause, "they agreed to find a formula which would deal with the problem of Great Britain alone."

He said the two had "registered with interest that the British position was beginning to evolve on a certain number of points."

They agreed that among the "good signs" was the decision by Mr John Major to call a debate in the House of Commons on European policy next week.

The two leaders also discussed the situation in the Soviet Union and Yugoslavia. On Yugoslavia they gave what amounts to a sharp reprimand to Mr Hans-Dietrich Genscher, the German foreign minister, for suggesting that Germany may go ahead alone and recognise the independence of Croatia and Slovenia at the beginning of December.

EC proposals

Continued from Page 1

no guarantees of safeguarding the Community from the polluting effects" of inter-government co-operation in business among the Twelve, he said.

Mr Genscher warned on Wednesday that if Britain persisted in seeking to water down the treaty, its partners would return to the idea of "a unitarian structure" with all of the Twelve's [intra-EC and intergovernmental] activities coming under the Treaty of Rome."

British officials retorted yesterday that the UK had been misunderstood by Mr Dankert and Mr Genscher.

The Dutch presidency plans to be equally tough with Spain's demand that a financial revision be written into the Maastricht treaty, so that poorer countries pay less into the EC coffers and receive more.

Germany this week flatly refused to countenance the creation of any new fund, prompting the Dutch to say that Spain and other southern countries would have to settle for a declaration at Maastricht promising that their money demands would be negotiated next year.

It was only this week that the Dutch presidency chalked up a number of minor accords on representation to the Commission and Parliament. But Mr Dankert said he detected "some real movement, some offer for negotiations by a number of delegations", citing the UK in its readiness to give the Parliament a veto over some laws.

THE LEX COLUMN

A flying start from BOC

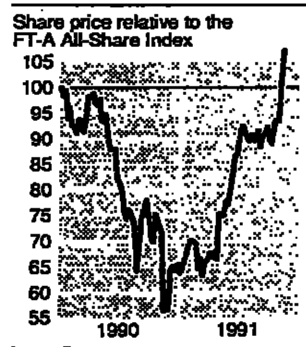
There is no stopping BOC in its mission as corporate gadfly. The company which doggedly stuck with current cost accounting until the mid-1980s and then pioneered dividend forecasts has come up with two more ways of annoying its peers: first, to anticipate the new UK accounting rules abolishing extraordinary and exceptional items: second, to comply with the US accounting treatment which has just obliged General Motors to write off $24bn on healthcare benefits. The net effect is to cut BOC's full year earnings by some 7 per cent. Other companies may not get off so lightly.

BOC's decision is shrewdly calculated. After some bloodshed in the past, the group has returned more or less to its traditional business, so not much reorganisation costs should be called for. And while its £6m annual write-off on healthcare assumes rising real US healthcare costs, BOC is neatly hedged by being a big provider of US healthcare itself.

Companies like ICI and Unilever, which have recently made massive use of extraordinary write-offs to increase future earnings, will fare badly if – as seems likely – they have to follow BOC's example. Other companies with long-established US operations may also take a sizeable hit on healthcare provisions. But the big conglomerates, which seemed at first the target of the new rules, may be a step ahead. Hanson claims to have provided already for healthcare costs in its Peabody acquisition: while BTR claims, in all innocence, that its above-the-line treatment of profit on disposal of Pretty Polly merely anticipated BOC in obeying the official line.

FT-SE Index: 2,561.6 (+15.1)

Wellcome



Source: Datastream

UK economy

It would be easy to dismiss October's slower unemployment growth as a blip, especially after Wednesday's disappointing figures on manufacturing output. But three-monthly averages show unemployment rising at half the second quarter rate, which suggests the figures should be taken seriously. Perhaps the trend is improving early in the cycle because financial pressure made companies shed staff quickly in the downturn. Perhaps recovery is under way. If so, it cannot be robust, which makes maintained average earnings growth of 7¾ per cent a trifle worrying.

Here again, the figure may be distorted by large increases paid nearly a year ago. But reported earnings growth will have to slow significantly for recovery not to threaten sterling's position in the ERM. That is one more reason why a further cut in interest rates might have to be delayed, even if the exchange market were in more benevolent mood.

Admittedly, sterling's fall below DM2.90 yesterday was more due to its inability to keep up with the D-Mark's leap in response to the Japanese discount rate cut, poor US inflation figures and the devaluation of the Finnish markka. But sterling is now at the bottom of the system. Thanks to the strength of the peseta, it is not far from its current floor of DM2.87. The authorities will have to tread carefully.

Wellcome

Yesterday's 6 per cent rise in Wellcome's share price was in one respect paradoxical. The 29 per cent rise in last year's earnings is virtually unbeatable among the big international drug companies, Astra of Sweden excepted. But in historic terms, Wellcome's earnings multiple of 29 and market capitalisation of £7.3bn is based largely on expectations for the AIDS drug Retrovir. Last year, sales of Retrovir went up by only 4 per cent. The real impetus came from the veteran anti-viral drug Zovirax, which starts to go off patent in 1993.

But Wellcome is also becoming something of a management story. Though the old management dating from the pre-flotation days was wholly commercial in intention, the steady increase in trading margins from 16 per cent four years ago to 25 per cent last year suggests the process has further to go. There is also room for further reductions in the tax rate and a modest rise in the dividend payout ratio. At the same time, Wellcome shows signs of developing a Glaxo-style cash mountain. The declining importance of Retrovir means the shares will doubtless be less wildly unpredictable than in the past. But like Glaxo, Wellcome may also be becoming a share that it is never prudent to sell.

Royal Insurance

On the basis of Royal's latest despatch from the battlefront, losses on mortgage guarantee business will cost UK insurers £2bn over the next three years. Whether this proves optimistic is anybody's guess. But at least Royal has now adopted repossessions accounting – a more conservative method which other composites should follow – and put its main assumptions on the table. There is room for scepticism, of course, if only because the companies rely for most of their data on the building societies.

The more pressing issue for Royal's shareholders is how the balance sheet will be restored to health. Bringing in continental partners will buy valuable time, but does not solve the problem. The solvency margin, currently 35 per cent, may be close to 30 per cent by the end of the year. Asset disposals look inevitable and cutting the dividend is surely sensible. Though Royal's shares have surely fallen far enough, there is still too much uncertainty about the cycle and the company's future shape to see them as cheap.

Electricity

The retailing joint venture between Eastern and Southern electricity companies appears so sensible one wonders why it took so long to finalise. If the specialist retailers hired to run the company do their stuff, they should provide significant non-regulated earnings for both parent companies by 1993. Perhaps more pertinent, given the retailing climate, is that the parents ought to avoid losses. The new company has annual sales of £182m and controls a quarter of its regional markets for white goods, so it will have plenty of clout with manufacturers.

The venture leaves a problem for the three other electricity companies which were part of original negotiations to form an even larger consortium. Bigger groupings are presumably still on the cards, a prospect which will scarcely appeal to the likes of Dixons and Kingfisher.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Berlin	F	9	48	Caracas		–	–	Faro	S	18	64	Islamabad	C	22	72
Algiers	R	15	59	Biarritz	R	9	48	Casablanca	C	17	63	Florence	S	15	59	Istanbul	S	14	57
Amsterdam	F	7	45	Bombay	S	33	91	Chicago	S	5	41	Frankfurt	R	6	43	Jakarta	R	31	88
Athens	S	19	66	Bordeaux	C	13	55	Cologne	C	8	46	Geneva	F	7	45	Jersey	S	11	52
Bahrain	S	26	79	Boulogne	R	5	41	Copenhagen	F	7	45	Gibraltar	F	18	64	Johannesburg	F	25	77
Bangkok	F	31	88	Brussels	R	7	45	Corfu	F	18	64	Glasgow	S	8	46	Lima	C	22	72
Barcelona	S	16	61	Budapest	R	11	52	Dallas	F	14	57	Helsinki	Dr	6	43	Lisbon	F	17	63
Beirut	S	23	73	Buenos Aires	F	21	70	Dublin	S	8	46	Hong Kong	S	23	73	London	C	8	46
Belfast	F	8	46	Cairo	F	23	73	Dubrovnik		–	–	Innsbruck	Sl	1	34	Los Angeles	S	14	57
Belgrade	F	15	59	Cape Town	S	19	66	Edinburgh	S	7	45	Inverness	R	7	45	Luxembourg	Dr	8	46

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	21	70	Milan	F	9	48	Nicosia	F	23	73	Salzburg	R	1	34	Tenerife	S	21	70
Madrid	S	12	54	Montreal	F	3	37	Oporto	R	15	59	San Francisco	S	11	52	Tokyo	F	14	57
Majorca	S	16	61	Moscow	C	2	36	Oslo	R	3	37	Seoul	S	8	46	Toronto	C	5	41
Malaga	S	18	64	Munich	F	3	37	Paris	F	8	46	Singapore	F	29	84	Tunis	F	24	75
Malta	S	23	73	Nairobi	F	24	75	Peking	S	11	52	Stockholm	S	5	41	Valencia	S	17	63
Manchester	R	6	43	Naples	R	19	66	Prague	R	6	43	Strasbourg	C	7	45	Venice	F	14	57
Manila	F	31	88	Nassau	F	27	81	Reykjavik	C	-3	27	Sydney	C	17	63	Vienna	F	11	52
Melbourne	S	19	66	New Delhi	S	23	73	Rhodes	S	20	68	Taipei	C	21	70	Warsaw	C	11	52
Mexico City	C	21	70	New York	S	7	45	Rio de Janeiro	C	31	88	Tangier	F	18	64	Washington	S	3	37
Miami	C	18	64	Nice	S	17	63	Rome	R	14	57	Tel Aviv	S	23	73	Zurich	F	7	45

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

RECRUITMENT

Adrian Furnham looks at four classic reactions to the idea of sending people on courses

What is the point of management training?

Management training courses are big business. Last year, US companies spent more than $1bn sending their employees on courses. In Britain, the volume of unsolicited mail advertising courses attests to their increasing popularity.

Management training courses differ enormously: some are conducted in-house, others run outside the organisation. Some are long (three weeks or more), others last a day or even less.

Some take place in plush hotels, others in the open air. Some are instruction based, other are experiential. Some participants are volunteers, while others are conscripts.

Despite the variety, they have one thing in common: they cost lots of money, particularly if you take into account the time lost through the participants not being at their desks.

Management training is now a hugh industry. Consultancy companies, magazines and human resource departments are exclusively dedicated to teaching people how to manage more effectively and efficiently.

The newly inducted, the freshly promoted, the diagnosed incompetent as well as high flyers are sent on courses on such subjects as time management, communication skills and finance for non-specialists.

But do these courses work? Can they be measured in some way and be shown to have a desirable effect? In short, what is the point of management training?

A lot of sweat, tears and ink has been spilled over this apparently simple question. Hard-headed types want evidence that the expense is justified by increased productivity and revenue.

On the other-hand, human resources managers seem happy enough if they get the feeling, through ratings on a feedback form thatparticipants have "enjoyed" the course.

Management training is now a hugh industry. Consultancy companies, magazines and human resource deparments are exclusively dedicated to teaching people how to manage more effectively and efficiently. The newly inducted, the freshly promoted, the diagnosed incompetent as well as high fliers, are sent on courses on such subjkects as time management, communications skills, and finance for non-specialists

A variety of arguments and statistics are paraded on both sides regarding the efficiency of management training. However it is possible to identify four quite different and distinct camps or positions taken by members of various persuasions.

● Cynics will have nothing to do with management training if they can help it. They tend to believe that is a waste of time and a pointless exercise. They resent what they see as smug, smart, management consultants nosing around in their organisations and despise the course junkies on yet another jolly junket away from the office.

They hold the view that either management practices are learnt through "experience" – that rather nebulous concept meaning doing the same thing for a very long time – or that they cannot be taught.

Many believe that people are basically "untrainable" anyway. They certainly do not take seriously the "proof" that training works, arguing that what can be taught is not important and, equally, what is teachable is not relevant.

Cynics see management trainers as vacuous gurus – overpaid and underworked people who are either without managerial experience themselves or are failed managers. Those who can, manage: those who can't become management trainers.

● Sceptics are less hostile to management training but far from eager for it for themselves or their staff. Many believe they could manage better. They also recognise that training courses can help. But they also know that these courses are highly variable in content and style and that many are neither clear nor helpful.

They tend to stay away from the soft inter-personal sort of courses, preferring courses that teach the more serious financial skills and computer literacy.

Some reluctantly believe that you have to send people on courses because they expect it but would really prefer not to. They argue with some conviction that even if courses are beneficial they wear off.

Unpractised skill deteriorates. Back in the work place, the idealistic practices are ignored or even punished and hence not continued. Most believe the solution lies in selecting people who are already well-trained or at least trainable.

Many sceptics argue that you change and develop an organisation through its structure or reward system. You can not do it through the quick-fix of sending select individuals on courses.

● Enthusiasts will have nothing of this. They simply cannot see how people are expected to manage without being explicitly taught and trained.

Most are benevolently eclectic in the types of methods they advocate, though others are zealous about a specific type of course or approach.

They both reward course attendance and use it as a reward. Optimists always, they argue that training is an important source of changing, improving and updating a company. Many argue that there is no alternative: managing is a skill and must be learnt. It is cost effective to train people because although they do learn by experience, this is slow, lazy, inefficient and expensive learning.

Cynics see management trainers as vacuous gurus – overpaid and underworked people who are either without managerial experience themselves or are failed managers. Those who can, manage: those who can't become management trainers. Naive proponents admire and often envy course leaders, tutors and facilitators. Many even try their hand. To the management training courses cynic, the naive proponent is a pathetic money waster.

Training enthusiasts advocate a judicious review and audit of the training needs of a particular organisation, an appraisal of all the courses available, followed by a time-tabling of people on courses. Enthusiasts are not against a rigorous post-course analysis to determine quality and suitability.

● Naive proponents have a evangelical air about the way they "push" courses. They are proselytisers of the near miraculous benefits of such-and-such a course, test, guru or concept.

If only, they argue, people were to go on a course, understand and live its message, all would be well with the organisation.

Naive proponents certainly don't seek hard evidence for the benefits of training courses. Personal testimony and evidence will do for that. They have the Dickensian idea of managers being vessels that need to be topped up with the rich and invigorating liquor of training courses.

They assume a direct relationship – between brochure quality and glossiness and course quality and many innocently assume that all aims and goals will be met by the course tutor.

Naive proponents admire and often envy course leaders, tutors, facilitators or what ever they are called. Many even try their hand. Naive proponents are found in all organisations: big and small scale; services and manufacturing, and their numbers are growing.

To the management training courses cynic, the naive proponent is a pathetic money-waster, while the latter sees the former as a sour bore.

Inevitably there are more enthusiasts in personnel and human resources departments and more sceptics in accounts and engineering departments, but there are also exceptions.

There are two types of people in the world; those who believe in types and those who don't. Of course typologies can be fun but misleadingly simple. Very often people's reactions to training are a mix. But one can only hope there are more sceptical enthusiasts that naive cynics about.

Adrian Furnham is a reader in Psychology in the University of London and is author of the forthcoming book Personality at Work published next year by Routledge.

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Casa Vinicola Barone Ricasoli S.p.A.
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Office in the United Kingdom, 8 Storey's Gate, London SW1 P3 AT.

COMMISSION OF THE EUROPEAN COMMUNITIES,
Office in Northern Ireland, Windsor House, 9/15 Bedford Street, Belfast BT2 7EG.

COMMISSION OF THE EUROPEAN COMMUNITIES,
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ACCOUNTANCY COLUMN

Bold proposal may lay balance sheet bare

The deadline for talking about structured funding reform has passed, writes Maxwell Packe

Consultation ends today on the Accounting Standards Board's proposal that securitised assets and related liabilities should be shown on the face of the balance sheet. It seems to have caused a great deal of consternation.

In the UK, this change primarily affects those banks, insurance companies and mortgage companies which have used securitisation to fund their mortgage lending.

Building societies have yet to take advantage of this funding technique, but building societies,too, appear to have greeted the ASB proposal with mixed feelings.

The opponents of the proposal argue that it could stop them securitising. To understand why they think that may happen, it helps to know a little about the process.

Securitisation is an inelegant word to describe long term structured funding.

The most common method of securitisation is for the originator – the bank, insurance company and mortgage company – to transfer a pool of mortgages to a specially formed company.

This company, called the issuer, may enhance the pool's credit quality, often by buying insurance.

It then issues bonds using the pool as security. The process is similar to any normal method of arranging secured debt.

Out of the mortgage interest it receives, the issuer pays interest to bondholders and covers its own costs. Part of those costs will be a fee to the mortgage administrator, which is often, but not always, the originator itself.

Any remaining profit is usually passed back in one form or another, again to the originator.

In a nutshell, the ASB argues that where the originator continues to enjoy an economic benefit from the securitised mortgages, whether or not the issuer is a direct subsidiary, the issuer's assets and liabilities should appear on the originating group's consolidated balance sheet.

The aim of all this is to present as complete a picture as possible of the total assets and liabilities of the group, and when viewed in this light the logic of this proposal is frankly difficult to refute.

The most common method is for the originator - the bank, insurance company and mortgage company — to transfer a pool of mortgages to a specially formed company

There would be no problem but for the fact that most mortgage lenders who have used securitisation as a funding method have done so with the specific aim of getting the assets off the balance sheet.

Ever since securitisation first appeared in the UK, many have regarded this, quite incorrectly, as its principal advantage.

Lenders, it is said, can avoid having to use unnecessarily large amounts of capital to back their securitised loans by shifting them off the balance sheet.

That in turn reduces the figure which regulators take into account when working out their minimum capital requirements – with the result that it frees capital for other things – and also substantially reduces the apparent level of gearing.

Many lenders argue that this state of affairs is quite acceptable.

Their view is that the balance sheet should only show assets which carry significant risk, and since the risk associated with securitised assets is remote or even non-existent, there is no point in clogging up balance sheets with irrelevant figures.

That argument is specious for two reasons. Firstly, risk has never been a determining factor in consolidation. Secondly, even if it were relevant, those who use this argument are referring solely to the credit risk, and not to all the risks inherent in lending.

Whilst the credit risk may indeed be insured away, the risk that profits and service charges will fluctuate, sometimes by enough to turn into losses, will clearly remain.

If these losses are being borne by the originator, the parent company is obviously bearing both a liquidity risk and a margin risk.

The only way to avoid any form of risk is to sell the assets outright, which implies that the originator receives no further economic benefit whatsoever from the mortgages. However, a sale is clearly a very different process from a securitised bond issue.

Looked at in this light, the ASB seems to have a pretty unassailable case. Does it, however, follow that the securitisation market is dead?

Not at all. The principal advantage of securitisation is not that it takes assets off the balance sheet, but that it provides non-recourse funding to maturity.

A lender can offer long term loans secure in the knowledge that the funds to finance them will be there until either the loan matures or the borrower decides to repay it.

As the aftermath of the BCCI affair earlier in the year showed, it does not take very much for investors to become nervous, with potentially disastrous consequences for lenders.

That is a luxury denied to many lenders, building societies included, who fund their mortgages principally out of short term deposits either from retail savers or from larger scale investors.

Apart from the constant need to adjust rates to ensure that volatile short term funds are not withdrawn, this funding method carries a large liquidity risk. As the aftermath of the BCCI affair earlier in the year showed, it does not take very much for investors to become nervous, with potentially disastrous consequences for lenders.

If the ASB proposal becomes mandatory, as I have little doubt it will, there may well, at the margin, be a reduction in the number of organisations issuing mortgage backed securities, despite their funding advantages.

But those who continue to securitise will be doing it for the right reasons and they will have shown themselves to be long term participants in the mortgage market.

There may even be an increase in sales of mortgage portfolios by institutions unwilling or unable to carry the assets and related liabilities on their balance sheets. To some extent this is already happening.

In the last 12 months, Household Mortgage Corporation has acquired three mortgage portfolios totalling some £600m. We are negotiating about several more.

Although these sales were made with comprehensive warranties, there is no doubt that they were genuine sales within the ASB definition.

They immediately reduced the size of the respective vendors' balance sheets.

Despite its potential impact on the mortgage market, any accounting change which results in better, clearer accounts is to be welcomed. If this particular proposal can bring about a better understanding of the real merits of securitisation as well, then it is very good news.

The author is finance director, Household Mortgage Corporation.

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*Interested candidates should contact **Gary Johnson** or **Chris Herrmannsen** on **071-629 4463** (day) or **058-283 2801** (evenings/weekends) or write enclosing a detailed curriculum vitae to the address below.*

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If you feel you have the experience and personal qualities to assume *this demanding role*, then please write enclosing a comprehensive curriculum vitae, to **Hugh Everard, Director, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH,** or telephone him **on 071-831 2000.**

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Candidates will require between four and seven years' extensive tax experience comprising a good grounding in UK taxation and exposure to international tax issues. Financing within the Group, particularly with respect to asset leasing, is of major significance.

Self motivation and the presence to communicate effectively with key members of the worldwide finance organisation and outside advisers are essential.

The individual should be technically competent, numerate, capable of dealing with intricate tax and financial issues and possess the ability to cope with problems imaginatively on both a practical and conceptual basis.

Interested applicants should write to **Chris Nelson, Manager, on 071-831 2000** (evenings/weekends on 081-785 6545) or write to him at **Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LH.**

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Bob Wax on 1-617-868-6166 (fax 1-617-868-0817) of **Kingsbury Wax, 501 Cambridge Street, Cambridge, Massachusetts 02141, USA.**

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday November 15 1991

INSIDE

Showdown for George Walker

Six big international banks yesterday agreed to the first step to initiating bankruptcy proceedings against Mr George Walker, founder of Brent Walker, the troubled UK leisure group. "It is the final showdown", commented a banker. Page 28

Ultramar back in the black

Ultramar, the diversified UK oil and gas company, made a return to the black in the third quarter with a profit of £16m ($28m). Mr Jean Gaulin (left), chief executive, said: "We are entering the heating season when consumption should pick up." Page 28

US insurer goes to French

Mr John Garamendi, the Californian insurance commissioner, yesterday recommended that a French consortium, headed by a Crédit Lyonnais subsidiary, should be allowed to take over Executive Life of California, the large Los Angeles-based life insurer. ELIC was seized by the state insurance regulators in April after concerns surrounding its huge junk bond portfolio caused a policyholder run. The commissioner's decision is subject to approval by the Los Angeles courts, and a hearing begins on Monday. The French consortium's offer involves selling most of the junk bonds to Altus Finance, part of Credit Lyonnais, for $3.25bn. This money, plus a $300m capital infusion, would then be used to restructure ELIC's ongoing insurance operations.

Shell bucks the trend

A strong operating performance at Royal Dutch/Shell, the Anglo-Dutch oil group, boosted profits by 9 per cent in the third quarter. It bucked the trend in the oil industry when it reported sharply higher profits for its refining and marketing operations. Page 28

Moving against hard trading

Honda Motor, the Japanese car and motorcycle maker, yesterday reported a 4.5 per cent rise in consolidated pre-tax profits to Y90.64bn ($702.63m) in the six months to the end of September in the face of difficult trading conditions in the world's principal car markets. Page 23

Venezuelan exchange surges

The Caracas stock exchange, which lost its momentum earlier this year after being the best performing stock market in the world in 1990, is experiencing a year-end surge that has driven some share prices to record highs. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Berliner Bank	242	+	5
Didier-Werke	174	+	4
Industriekredit	280	+	8
Springer Axel	499	+	14
Falls			
Hochtief	1165	−	14
Zander Feinpap	261	−	4.8

NEW YORK ($)

Falls			
Bioplasty	4⅝	−	1⅞
Caterpillar	44⅛	−	3⅞
Chase Manhattan	17¾	−	½
Humana	23	−	4¾
Isomed	1⅜	−	1⅞
Mentor	11½	−	2¼

PARIS (FFr)

Rises			
Beghin-Say	645	+	21
Havas	487	+	13.5
L'Oreal	712	+	16
Merlin-Gerin	533	+	13
Falls			
Bouygues	570	−	10
Cred Lyon (CI)	532	−	11

TOKYO (Yen)

Rises			
Nippon Seisen	788	+	96
Sagami Rubber	1150	+	100
Tosco	500	+	35
Falls			
Nippon Felt	1150	−	120
SPC Elec	4780	−	570
Sanrio	2350	−	300

New York prices at 12.30.

LONDON (Pence)

Rises			
BOC Group	599	+	15
Burton	44½	+	4½
Central TV	1085	+	35
Dickie (James)	24	+	8
Euromoney Pubs	528	+	105
Flextech	152	+	12
Glaxo	853	+	41
Gleeson (MJ)	895	+	27
Heath (CE)	524	+	10
Honeysuckle	43	+	15
LWT (Hld) Pf	211	+	13
Next	65	+	4
Scottish TV	620	+	11
Shanks&McEwan	214	+	14
SmKline Bch A	820	+	12
Sthn Business	87	+	6
Transfer Tech	310	+	23
Trio Inv	45	+	6
Wellcome	853	+	52
Yorks Chem	553	+	35
Falls			
Midland & Scot	60	−	5
600 Group	42	−	3
TI Group	592	−	21
Tiphook	458	−	46

Domestic sales lift Daimler turnover

By David Waller in Frankfurt

A 27 PER CENT increase in domestic sales helped Daimler-Benz, Germany's largest industrial company, to a DM6.58bn ($4.06bn) rise in turnover, to DM67.38bn, in the nine months to the end of September.

Net profit for the group in the same period grew only slightly, from DM1.32bn to DM1.38bn.

Daimler said "the gratifying course of business" within Germany had more than compensated for strains in other parts of the world and was the main factor behind the growth in sales and profits. Profits for the year as a whole would once again be satisfactory, the company said.

The engine of the company's growth was Daimler-Benz, the vehicle subsidiary which accounts for more than 70 per cent of sales.

It sold 429,000 passenger cars worldwide in the first nine months – a rise of 2 per cent – but sales rose 15 per cent in western Germany. There was also a 39 per cent surge in sales of commercial vehicles in Germany, and a 14 per cent rise worldwide.

Ahead of Daimler's listing on the Paris bourse last month, Mr Edzard Reuter, chairman, predicted a rise in profits for the current year and an increased dividend.

Many analysts are hoping that earnings will rise decisively next year, having fallen by a third in the past four years in spite of an ambitious diversification programme.

Analysts said the interims confirmed the positive trends identified by Mr Reuter last month, and forecasts are that Daimler will report earnings of DM48-DM50 per share for the current year, compared with DM47.90 in 1990.

Mr John Lawson, at Nomura in London, is predicting earnings of DM60 next year, although Mr Jochen Hannenman at Commerzbank in Frankfurt believes that the rise in car sales in Germany will prove unsustainable and earnings will stagnate again next year.

Commerzbank is predicting that new car registration in Germany will drop by 15 per cent next year. Sales of AEG, Daimler's electrical and electronics subsidiary, rose by 10 per cent to DM10.06bn in the nine-month period, with an 8 per cent increase in orders.

At Deutsche Aerospace, sales of DM7.4bn were roughly equal to those of the same period last year.

At Daimler-Benz InterServices, Daimler's service subsidiary, turnover rose from DM2.96bn to DM4.26bn.

Revenue for the year is set to be DM5.9bn.

Carlo De Benedetti believes a turnround is possible, writes **Haig Simonian**

Owner returns to the Olivetti helm

Mr Carlo De Benedetti, who this week resumed management control of Olivetti, the typewriters group he rescued in 1978, says his contribution to the company will come in part from combining the roles of owner and manager.

"Olivetti is the only computer company where there is an entrepreneur who simultaneously owns 42 per cent of its shares and is capable of managing it," he says.

"If you are the owner and you are stupid, you have no chance. If you are not stupid and the owner, then you have a competitive advantage."

Admittedly, turning Olivetti around "is more difficult today, but I frankly believe it's possible". However, his arrival, welcomed by staff and unions, will be linked to some unpleasant medicine.

He identifies cost-cutting, new products and closer links with the rest of the industry as the way to restore Olivetti's fortunes.

Lowering its break-even point is the way to tackle declining demand and severe price cutting for personal computers. Market conditions have deteriorated further recently, meaning that Olivetti's loss in the second half will be more than the L73.7bn ($60m) it reported for January-June.

"When you have static volumes and prices declining by 40 per cent, I don't know who can avoid losing money."

Cost cutting means fewer jobs. "I can't tell how many," he says. However, redundancies will hit white collar workers as hard as production people. "Dirigenti" (executives), will be first to go and although the company is unrecognisable from the Olivetti of the 1970s, "there is still much fat", he says.

Redundancies will provoke both union and government hostility, but with recession looming, many big Italian companies will face the same problems next year, he thinks.

He also believes that Italian public opinion is more aware of the pressures of international competitiveness than 13 years ago.

However, Mr De Benedetti does not envisage tampering with the structure of the separate, and partly overlapping, subsidiaries for different customer groups which were set up by Mr Vittorio Cassoni, who took over as managing director in 1988. "There is no discussion of changes for the time-being," says Mr De Benedetti. "Once I really get my hand on the tiller, then I'll have a better sense of how to trim the sails."

More production will also have to be transferred abroad to overcome high costs in Italy. Costs in Singapore, where Mr De Benedetti opened Olivetti's first plant 10 years ago, are one seventh those at home. "I will move other products. There are products which can't be made in this area of the world any more."

Reducing working capital is the other element in the cost-cutting programme. Olivetti's strong balance sheet is one of its biggest advantages, with just L750bn of net debt against L3,500bn in shareholders' funds. And while most debt is long term, there is around $2.5bn in short-term cash. Nevertheless, money locked up in working capital will have to be axed.

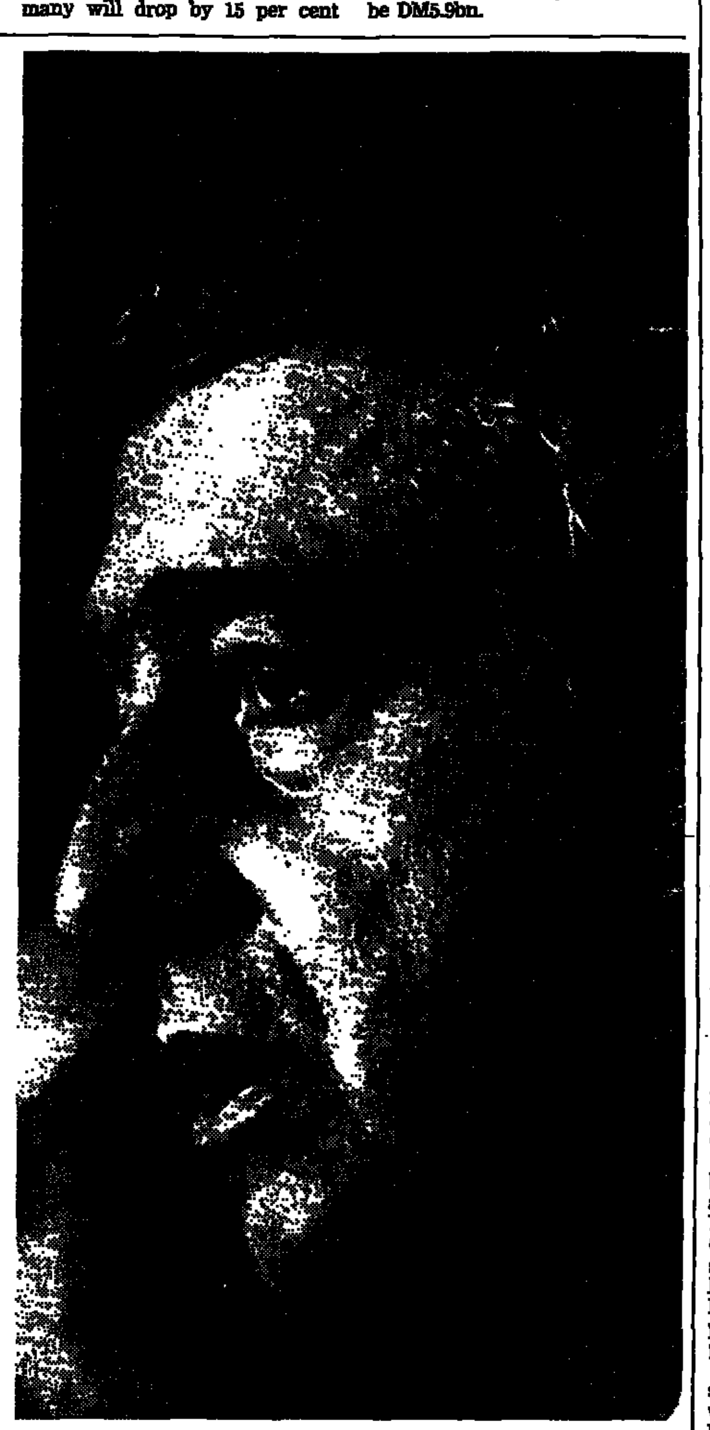
Technologically, Olivetti is looking to new products based on RISC chips, a new generation of microprocessors, to help restore margins and offer more competitive products. Last month, it exhibited one of the world's first RISC machines based on the new MIPS 4000 chip at an important US trade show.

International alliances and closer customer relations are where Mr Cassoni fits in – and the stress Mr De Benedetti puts on such links implies Mr Cassoni's new role in steering Olivetti's international relations is not the "demotion" widely perceived this week.

Mr Cassoni gives no hint as to what strategic alliances Olivetti wants to forge. However, he sees himself spending as much time visiting the Far East as crossing the Atlantic. "I'm not looking to be an ambassador, I'm looking to conclude deals," he says.

Mr De Benedetti emphasises that Olivetti is not for sale. He reveals that, at the time of its link with AT&T, he had a unilateral option to sell all the Olivetti shares owned by CIR, his quoted holding company, at L13,000 a share.

"I didn't exercise my put [option] then. Today I wouldn't do it. I have a sense of pride and commitment to this company, to which my name is partly linked. In life, it's not always a question of money."



Carlo De Benedetti: "It's not always a question of money"

Weighed down by overheads

By Alan Cane in London

THE RETURN of Mr Carlo De Benedetti to the helm of Olivetti confirms his commitment to his international computer flagship but raises the question of what Italy's master entrepreneur can contribute to a business shaken by the worst storms since the beginning of the computer industry?

One answer is that Olivetti has most need of his political influence rather than his skills as a businessman, and that his return signals a division of labour at the top of the company.

It already has in Mr Vittorio Cassoni, group managing director, one of the best of Europe's current crop of computer executives, but no individual, however competent, can expect to solve Olivetti's problems alone.

The company has to increase sales, especially within Italy, and cut costs. That means large redundancies, something difficult to achieve in socially-conscious Italy, but Mr De Benedetti's political contacts and influence should help.

Olivetti also has to form alliances with other organisations to open sales avenues and share research and development costs. Mr Cassoni, architect of a number of Olivetti links including its personal computer marketing agreement with Digital Equipment, will continue his search for a suitable partner.

COMPUTER ECONOMICS - 1990
Full-range v PC manufacturers

Company	Revenues ($bn)	Employees	Sales/ Employee
IBM	69.02	373,816	184,636
Olivetti	7.60	53,679	141,582
Bull	6.30	44,500	141,573
DEC	13.06	124,000	105,322
Apple	5.56	12,307	451,775
Dell	0.55	2,100	260,000
Compaq	3.62	11,420	316,987

The company's problem is brutally simple – its overheads are way out of line with the gross margins obtainable from its principal product line, personal computers, which contribute about 20 per cent of revenues.

The problem is compounded by the fact that the cost of personal computers is in sharp decline, driven by companies from the Pacific Rim using highly automated manufacturing methods and low labour costs to drive down prices by between 25 per cent and 40 per cent a year.

The problem is not unique to Olivetti – the worldwide computer industry has been devastated – and, in fact, Olivetti's revenue growth and profits have held up rather better than other European manufacturers. The table above shows the extent of the problem.

British Gas to sell Spanish stake

By Peter Bruce in Madrid

BRITISH GAS stands to make a $50m windfall profit, probably this month, after reaching agreement in principle with Repsol, the state-owned Spanish energy conglomerate, to end a two-year feud over the UK group's investments in Spain.

Although neither Repsol nor British Gas would make any comment last night, it is understood that British Gas has agreed to sell its 10.1 per cent stake in Spain's biggest gas distribution company, Catalana de Gas in Barcelona, for more than Pta16bn ($155m) after having spent Pta11bn buying into the company since mid-1989.

Repsol is in the process of merging its natural gas affiliate, Gas Madrid, with Catalana as part of a project to create a large national gas distributor and has viewed the UK presence in Catalana as hostile and unhelpful.

In return for withdrawing from the Barcelona distributor, British Gas will be offered stakes in two technical affiliates created to service the new national company. This would satisfy British Gas's ambitions to position itself in European gas markets while calming Spanish fears that its own national supplier would not be subject to foreign interference.

The merger of Gas Madrid and Catalana de Gas, plus a further 19 commercial and domestic gas suppliers in Spain's main cities, is likely to be completed by early 1992.

The new company, Gas Natural, will have group assets worth Pta210bn.

British Gas was initially welcomed into Catalana de Gas in 1989 but Repsol teamed up with the big Catalan savings bank, La Caixa – a large Catalana shareholder – to create Gas Natural.

Ever since, Repsol and the Spanish government have tried to dislodge British Gas, but Spain is one of the most attractive growth markets for domestic and commercial gas in Europe. Natural gas usage in Spain accounts for only 6 per cent of total energy consumption compared with a European average of 18 per cent.

Under the deal between British Gas and Repsol, which could be concluded next week, Repsol will take 8 per cent of Catalana held by the British group and La Caixa 2 per cent. This will raise Repsol's stake in Gas Natural to 44 per cent and La Caixa's to just under 25 per cent.

Gas Natural, once it is consolidated, will control more than 80 per cent of Spanish domestic and commercial gas supply.

Austrian banking shake-up continues

By Ian Rodger in Zurich

GIROZENTRALE und Bank der Osterreichischen Sparkassen is buying Osterreichisches Credit-Institut (OCI) from Z-Länderbank Bank Austria for Sch2.5bn ($217m).

This latest move to restructure Austria's highly-fragmented banking sector is seen as another attempt by Girozentrale, which has specialised in interbank and corporate lending, to build a retail base.

Earlier this year, it entered merger talks with Die Erste Oesterreichische Spar-Casse-Bank (First Austrian), which has a strong retail base, but the talks broke off last month.

The opportunity to buy OCI follows the merger last month of Zentralsparkasse und Kommerzialbank and Osterreichische Länderbank which created Z-Länderbank Bank Austria to become the country's biggest bank.

Prior to the merger, Länder Bank was mainly active in commercial and international lending, and its holding of OCI, itself one of Austria's top 10 banks with assets of about Sch41bn at the end of 1990, gave it an entry to the retail market. OCI has 47 branches, and is one of the few banks with the right to issue mortgage bonds.

Following the merger with Zentralsparkasse, also strong in retail banking, Länder no longer needed OCI. However, it was in no hurry to sell, and so was prepared to wait until a domestic bank matched the price rumoured to have been offered by a foreign bank, according to Mr Heinz Handler, a senior researcher at the Austrian Institute of Economic Research.

Girozentrale, on the other hand, which is the central institute of Austria's savings bank system, fears that its savings bank customers will become increasingly independent as Austria's banking regulations are liberalised in the run-up to membership of the European Community. It was therefore anxious to set up its own retail network as quickly as possible.

The group's resources would benefit from OCI's deposit base and its ability to issue certain kinds of domestic paper jointly, Girozentrale said. It expected to sign the deal with Bank Austria later this year, after both sides had examined reports being prepared. The merger would take place in 1992.

Bank Austria is the largest shareholder in Girozentrale, with a stake of some 25 per cent. It inherited that position from Zentralsparkasse.

Ericsson incurs SKr194m deficit

By Robert Taylor in Stockholm

ERICSSON, the Swedish telecommunications group, incured a SKr194m ($32.4m) loss in the third quarter as profits after financial items for the first nine months plunged 53 per cent to SKr1.9bn from SKr3.58bn last time. In the third quarter last year the *group made a SKr894m profit.*

Order books fell to SKr30.88bn, from SKr33.39bn, and consolidated net sales declined 2 per cent to SKr32.04bn from SKr32.81bn. *Income per share declined to* SKr5.20 from SKr8.65.

Ericsson said its results for the whole of 1991 would be "considerably lower than for the preceding year" when the company posted a SKr4.85bn profit. However, it expects a positive result in the fourth quarter.

The company intends to complete its existing technology investments, which will total about SKr10bn this year. At the same time, Ericsson's rationalisation programme has started with 2,000 job losses so far and a further 2,000 planned before the end of this year. The current workforce is 71,000.

Mr Lars Ramqvist, president and chief executive officer, said: "We must decrease our overheads in 1992. This will also lead to a certain reduction in development costs." But the company should continue with strategic, long-range investments in products and systems development.

He said he expected to see "a stronger trend in order bookings" in the last quarter of the year, because Ericsson had already received "substantial individual orders" in recent weeks. These included a SKr1.4bn order for the Mobitex system and personal communications network from a US con*sortium led by Bell South and* RAM Broadcasting Corporation, and one worth SKr1.1bn for the development of a joint PCN (personal communications network) system for Unitel and Mercury Personal Communications in the UK.

The market for investments in *telecommunications* remained depressed, said Mr Ramqvist.

There was a 27 per cent drop in the company's public telecommunications business order bookings and a 5 per cent decline in sales while orders for radio communication systems fell 16 per cent.

Ericsson announced yester*day it had reached agreement* with Ascom, the Swiss company on the creation of a joint venture in telecommunication transmission systems.

Royal Insurance losses increase sharply

By Richard Lapper in London

THE FULL severity of the mortgage indemnity problems faced by Royal Insurance of the UK became clear yesterday when it reported pre-tax losses for the nine months to September 30 of £214m ($380.9m) compared to a loss of £91m at the same stage last year.

Domestic mortgage indemnity losses over the period amounted to £173m, contributing to underwriting losses in the UK of £360m, against £187m. Extra provisions in the third quarter amounted to £110m, reflecting a change in *the way Royal accounts for* claims from these policies, which insure lenders against any losses they might make on sales of repossessed properties.

The losses overshadowed improvement elsewhere. In the UK, underwriting results in motor, householders and commercial fire improved in the third quarter. Subsidence losses amounted to just £1m, compared to £55m in the first half of the year and £56m in the third quarter of 1990.

The accounting change follows an analysis of its business with six building societies and banks – which generate 70 per cent of its mortgage indemnity business. Royal had found that *80 per cent of repossessions* result in claims, and will now provide for claims when repossessions occur rather than waiting to be notified of actual claims after sales are made.

The change brings Royal into line with other insurers – such as Eagle Star – which announced more conservative reserving at the half-year stage.

Total mortgage indemnity losses are expected to rise to £400m before the end of 1993, indicating that losses industry-wide could top £2bn.

Even this figure may underestimate the scale of Royal's difficulties. Royal says it expects repossessions to fall *next year and house prices to* stay flat.

Mr Stephen Bird, of the securities house, Smith New Court, says both assumptions are optimistic. He also expects unemployment, traditionally the main cause of mortgage default, to rise.

Royal's *solvency margin* – the yardstick measuring net assets as a percentage of non-life premium income – is still around 35 per cent.

Although over twice the legal minimum of 16 per cent, the ratio remains a cause for concern, especially bearing in mind the sharp decline in non-life premium income over the past 12 months, from £2.8bn to £2.6bn. *In the US premium* income fell be over a a third to £649m (£896m).

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AGF revenue up

ASSURANCES Générale de France (AGF), the state-owned insurance company, increased turnover by 21.2 per cent, from FFr33.32bn to FFr40.41bn ($7.25bn) in the nine months to September 30. The result reflected a strong performance from its international interests.

Correction

Munich Re

MUNICH Re, the world's largest reinsurance company, is planning to maintain its dividend at DM10 per share, not DM50 as reported in the Financial Times on November 9.

The amount paid out as a result of the storms of 1990 was DM1.195bn, not DM1.95bn.

BOC changes accounts practice

By Michiyo Nakamoto in London

BOC, the industrial gases and healthcare group, paved the way for wider adoption of controversial proposals by the UK Accounting Standards Board by charging the cost of business disposals against its profits and loss account, rather than treating it as an extraordinary item.

The move by BOC, which comes as it announced an 11 *per cent fall in annual pre-tax* profits, is likely to increase pressure on other companies to adopt the ASB's draft proposals, which call for the inclusion of many extraordinary items above the line.

The proposals, which are aimed at preventing companies from strengthening earnings by taking a variety of losses as an extraordinary item below the line, have met with resistance as they could substantially affect companies' profits.

However BTR, the UK conglomerate, raised a stir when it was able to boost interim profits this year by taking an extraordinary profit from a dis*posal above the line.*

In its 1991 accounts, BOC also took a £39.1m ($69.6m) actuarial liability for post-retirement medical costs in the balance sheet in line with a new US accounting standard. This was included as a £6.1m charge against profits. The remaining £33m charge is being made as a prior-year adjustment.

Pre-tax profits for the year to September fell to £310.1m from £350.2m as adverse exchange rate movements, higher interest charges and reorganisation and disposal charges took their toll, while demand for industrial gases remained sluggish.

Earnings per share were down to 193.5p (239.0p), but the group is recommending a 7.8 per cent increase in its total dividend to 22p (20.4p).

The shares increased 16p on the day to 599p.

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State share sale in Elf Aquitaine condemned

By William Dawkins in Paris

FRENCH government plans to sell more than FFr2bn ($350m) worth of shares in Elf Aquitaine, France's largest state-owned company, were yesterday condemned as "scandalous" by the right-wing opposition.

Mr Pierre Bérégovoy, the finance minister, is planning by the end of the year to sell to the public 2 per cent of the oil and gas group's equity, so *reducing the state's stake from* 53.8 per cent to 51.5 per cent.

The sale, which would raise FFr2.3bn at current share prices, is the latest in the government's recently announced programme of partial privatisations. It will follow the sale later this month of 25 per cent of Crédit Local, a local authority bank, which is likely to raise around FFr2bn.

Mr Alain Juppé, secretary general of the Gaullist RPR party, said the government was "selling the state's possessions to keep the pot boiling".

Several state company chairmen fear the government will use partial privatisations to raise cash for its own budget, rather than to allow state companies to issue new equity for *their own development.* Elf, however, has been able to raise new capital: there was a FFr2.7bn issue of new shares in June – not taken up by the state – and a $300m bond issue last month.

The government argues that it will use cash from partial sell-offs to fund job creation. However, curbing the budget deficit is also a priority, at a time when the economic slowdown has hit budget receipts and growing unemployment has driven up spending. At the same time, the state has been increasing its deductions from other state bodies.

The state's shareholding in Elf has fallen steadily over the past five years, due to the sale of a stake by the previous Gaullist administration, and the dilution from last June's share issue.

Elf, as one of France's best performing state-owned companies, was an obvious choice *for partial privatisation, said* analysts.

Minority shareholders begin to exert power on takeovers

Andrew Hill and William Dawkins on Belgian law

The balance of power in some of continental Europe's largest companies, which are often controlled from behind the scenes by the groups' biggest investors, may be swinging slowly back in favour of frustrated minority shareholders.

In the last four days, three separate groups of sharehold*ers in Wagons-Lits, the Franco-*Belgian travel group, have mounted legal challenges to the FFr2.2bn ($392.9m) bid last month by Cobefin, a joint vehicle for Accor, the French hotels group, and *Société Gén*érale de Belgique, Belgium's largest holding company.

The dissidents want the bidders to explain contradictions in the Cobefin offer document and, if they cannot, to raise the BFr8,650-a-share bid price. In Brussels and Paris, however, stockbrokers' analysts and takeover lawyers believe the disgruntled investors are about 18 months too late.

Real control of Wagons-Lits, they say, changed hands in June 1990, when SGB and Accor bought a joint stake of *27 per cent in the company,* eventually edging out Sodexho, the French catering group. Sodexho, which cut its Wagons-Lits stake from 20 per cent to 5 per cent, is one of the shareholders complaining about the Accor-SGB bid.

However, Sodexho and the other dissidents argue that it was not until Accor published its 117-page offer document earlier this month that the full extent of alleged back-room deal-making between Accor and SGB became obvious. The document reveals, for example, that all Accor and SGB's dealings within Cobefin were based on the price at which the two companies bought into Wagons-Lits – BFr12,500 per share. That price was still being used the day before the bid was announced, to calculate terms on which the two companies reshuffled their holdings in Cobefin, and will be used again if SGB exercises a put option and sell its Cobefin stake to Accor. Wagons-*Lits' market price before the* bid was just under BFr7,000.

Accor and SGB vigorously deny any implication that they have deprived minority shareholders of their rights. The *irony is that in 1989, in the* aftermath of the acrimonious and confused battle for control of SGB, Belgium passed a new takeover law, of which one objective is "to ensure information for and equality of treatment of shareholders, and to safeguard their interests".

The Commission Bancaire, the Belgian takeover authority, decided last year that the original purchase of Wagons-Lits shares did not constitute a change of control. At the beginning of this month it cleared the 117-page offer docu*ment for publication.*

The commission declines to comment on the court cases. It is not to blame for the latest row. The Belgian law's failure to define "control" has always seemed a weakness.

Mr Marc Janssens, the spokesman for one group of dissident shareholders including Norwich Union, the British insurance company, says: "Our takeover law is young and needs some jurisprudence. This is all part of the emancipation of Belgian investors."

Mr Tim Hyde, Norwich Union's European equities investment manager, agrees that it is important to support *the infant Belgian takeover* code through its teething troubles. "Belgium has been a pioneer in introducing a law to look after minority shareholders and that's why this is happening in this case," he says.

In France last June, the Conseil des Bourse de Valeurs (CBV), in charge of stock exchange regulations, ruled *that the Bolloré transport and* industrial conglomerate must bid for Delmas-Vieljeux, a family-owned shipping company, because it had breached the 33.33 per cent threshold with *another investor.*

Bolloré has appealed against the ruling and the Paris Appeals Court's judgment is due shortly. While the ruling will have no effect on Accor's *bid for Wagons-Lits, it will fur*ther clarify minority shareholders' rights in France.

Whatever the outcome of the Wagons-Lits cases, the legal action has served notice to Europe's large holding companies that they can no longer rely on the passivity of conti*nental European shareholders.* The row may give EC governments an incentive to speed up work on the takeover directive, which should considerably clarify minority investors' *rights in cross-border deals.*

The directive, awaiting member states' approval, would set common definitions for the existence of concert parties and the conditions under which bids must be launched, including a Community-wide takeover threshold set at a minimum of 33.3 per cent. It would also enable minority shareholders to challenge in the European Court the majority partners' backroom deals.

Schering on target for record earnings

SCHERING, the German pharmaceuticals and chemicals company, posted a 6 per cent rise in earnings in the first nine months of this *year to* DM214m ($132m), writes Leslie Collit in Berlin. The company said earnings for the year would exceed last year's record DM258m.

Group sales were up 6 per cent to DM4.8bn, mainly reflecting growth in pharmaceuticals and agrichemicals. Schering's sales of pharmaceuticals rose 13 per cent to DM2.65bn, *compared* with a 9 per cent average increase among its German competitors.

Strong sales in Japan of diagnostic aids and oral contraceptives, up 18 per cent, and a 28 per cent increase in pharmaceuticals turnover in the US were contributing factors.

Improved earnings at Schering's subsidiaries in the US, however, could not fully offset *the poor profitability of its* industrial chemicals and natural substances sold there.

Mr Guiseppe Vita, chairman of the executive board, said talks had begun with prospective partners over co-operation deals for three small divisions.

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Serial numbers of the U.S. $1,000 denomination Bonds drawn are as follows:-

[illegible]

Serial numbers of the U.S. $5,000 denomination Bonds drawn are as follows:-

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London, Principal Paying Agent

November 15, 1991

CHASE

Consortium to pay C$380m for SkyDome

TORONTO'S landmark sports stadium, known as the SkyDome, is being taken over by an eight-member consortium which includes the Canadian subsidiaries of Coca-Cola, Ford and Exxon, writes Bernard Simon in Toronto.

The consortium is paying the Ontario provincial government a total of C$380m (US$336.2m) in cash and debentures for the 55,000-seat stadium, which has been burdened with an unmanageable debt load since it was completed two years ago.

The SkyDome claims to be the world's only leading stadium which has a fully retractable roof, therefore making it ideal for the extremes of Toronto's climate.

Its construction costs ballooned from an original estimate of C$184m to a final tab of C$585m after its backers in their enthusiasm added such refinements as an hotel with rooms overlooking the field and a fitness club.

The cost over-runs have resulted in debts of more than C$350m.

Mr George Taylor, one of the consortium's negotiators, said each of the eight participants had its own reasons for investing, but the decision was entirely a commercial one.

"It has been assessed carefully on its business merits," Mr Taylor said.

Toronto's baseball team, the Blue Jays, drew more than 4m spectators to the SkyDome last season, a record for any North American stadium.

However, several companies which have been involved in the stadium through food and advertising concessions declined to join the consortium.

They include McDonald's, the hamburger chain, which has already invested several million dollars in fast-food outlets.

The deal provides for interest payments on the debentures equal to 60 per cent of the stadium's cash-flow, to a maximum yield of 14 per cent.

The debentures mature after 22 years with principal payments starting at the 16th year.

If the consortium is so successful in improving the SkyDome's finances that it decides to sell, it will have to share its capital gains with the province according to a pre-determined formula.

The province's chief negotiator was Mr Bob White, head of the Canadian Auto Workers trade union, who has hitherto been a fierce critic of privatisation.

Hanson, Smith Corona to pay $24m to settle suit

By Martin Dickson in New York

HANSON Trust, its US typewriter associate Smith Corona and other defendants have agreed in principle to pay a total of $24m to settle out of court a suit brought by investors in Hanson's controversial 1989 flotation of Smith Corona.

The sale of 52 per cent of the typewriter company's stock at a price of $21 a share, in July 1989, came shortly before Smith Corona announced a deterioration in its sales position and cuts in its workforce.

The Connecticut-based company's shares dropped steadily to stand at just $5 a year after the flotation.

Angry investors, whose complaints were consolidated in a single class action suit in Connecticut, accused Smith Corona and its directors, as well as HM Holdings, a US subsidiary of Hanson, and underwriters to the offering, of giving them misleading information.

The defendants strongly denied this.

Smith Corona, which is still 48 per cent owned by Hanson, announced yesterday it would contribute $5m towards the $24m total.

In London, Hanson declined to comment pending a final court agreement.

Smith Corona noted the settlement was subject to the execution of an agreement acceptable to all parties, approval by the court and a hearing on the fairness of the settlement.

Mr Lee Thompson, chairman of Smith Corona, said: "Although we have always strongly believed in the merits of our position, we felt that entering into a settlement was in the best interest of all concerned."

Norfolk Southern to axe staff

By Nikki Tait in New York

NORFOLK Southern, one of the leading US railroad companies, said yesterday it planned to cut up to 3,500 train crew jobs in the wake of the new labour pact hammered out in the industry, with some help from Congress, earlier this year.

The company, based in Norfolk, Virginia, and formed by the merger of Norfolk & Western and Southern Railways in the early 1980s, will take a special charge against its fourth-quarter earnings to cover the move.

It declined to speculate on the size of this, saying the restructuring would not be finalised until mid-December. Norfolk Southern has 26,000 rail employees.

However, it warned that the "total cost commitment" for achieving the labour efficiencies would "materially reduce" reported earnings for 1991, although future cost savings would be "significant".

Norfolk Southern added it was considering suspending its share purchase programme – on which it has spent $1.23bn since this started in December 1987 – because of the cash required to fund the labour reductions.

Its shares fell $2⅞ to $61⅞ on the news.

Ford Motor lifts stock offer to $2bn

FORD MOTOR, the US car manufacturer, has increased from $750m to $2bn an offering of convertible preferred stock designed to bolster its balance sheet at a time of depressed car sales and heavy capital spending, writes Martin Dickson.

Ford announced last October it would be raising $750m through an issue of 15m preference shares, but on Wednesday it increased the size to 40m shares and priced the $50 stock to give a dividend yield of 8.4 per cent.

The issue is the latest in a series of fund-raising exercises by the big three Detroit manufacturers, all of which have been thrown into the red by poor North American car sales.

Chrysler raised over $350m in new common stock and General Motors raised some $600m in a hybrid security convertible into equity.

Ford, which has been suffering from negative cash flow and a sharp rise in its gearing ratio, is in the throes of funding a new vehicle programme costing $7bn a year. Last month it reported a $574m loss in the third quarter and said it also expected to lose money in the fourth.

The preferred shares are convertible into common stock at $30.625, a 20.1 per cent premium over last night's closing price of $25½, down ¼.

US car sales figures released yesterday gave little sign of a recovery in the market. They totalled a seasonally adjusted annual selling rate of 5.73m units, compared with 6.189m in late October and 6.52m a year earlier.

Ford's car sales were estimated to be down 22.5 per cent on the same period of 1990, compared with 27.6 per cent for Chrysler and 7.7 per cent for General Motors.

Caterpillar warns of large loss as strikes continue

By Karen Zagor in New York

CATERPILLAR, the world's biggest producer of earth-moving equipment, yesterday warned its fourth-quarter loss would probably exceed the $86m deficit incurred in the first nine months of this year.

Although the company had earlier said it would probably turn in a fourth-quarter loss, Wall Street was surprised by the size of the estimated deficit. Shares in Caterpillar tumbled $4 to $44 in midday trading yesterday.

Caterpillar's short-term outlook has been clouded since October 31, when negotiations between the company and the United Auto Workers union broke down.

It responded to UAW strikes at two plants in early November by stopping work at some other facilities. Caterpillar said about 8,000 employees had been made idle.

The Illinois company said its projected fourth-quarter loss was partly linked to these stoppages. The company, however, is also suffering from weakness in most of its markets.

Included in its fourth-quarter predictions are non-recurring charges for redundancy costs linked to staff cuts outside the US, mainly at the company's Gosselies, Belgium, facility.

Concern about the impact of a prolonged strike prompted Moody's Investors Service to place about $2.7bn of Caterpillar's long-term debt under review for a possible downgrade yesterday.

The ratings agency, which confirmed Caterpillar's ratings in September, said it might have to re-examine its ratings if the Caterpillar strike turns out to be more protracted and costlier than expected. "It appears now that a quick resolution of the labour difficulties is unlikely."

Caterpillar said its 1992 outlook was heavily dependent on the US economy. "Current analysis suggest that markets in the US are expected to improve continuously during the year, while conditions outside the US are likely to remain difficult."

The company will issue its complete 1992 outlook on January 22.

Midway tickets honoured

By Nikki Tait in New York

UNITED Airlines, the large Chicago-based carrier, yesterday offered to transport some of the passengers holding tickets issued by Midway Airlines. These have been rendered useless by the regional carrier's decision to suspend operations on Wednesday night.

Northwest Airlines, whose refusal to buy certain Midway assets provoked the grounding decision, also said it would accept tickets as did Southwest Airlines.

Midway, one of the airlines which set up during the post-deregulation era, filed for Chapter 11 bankruptcy protection earlier this year.

Last month, it struck a deal to sell its 21 gates at Chicago's second airport to Northwest Airlines, sub-leasing them back from the bigger carrier.

Northwest subsequently agreed to purchase Midway's remaining assets, but backed out of this deal on Wednesday – amid an acrimonious dispute with Midway over information thrown up during the "due diligence" process.

On Wednesday afternoon, Midway admitted the situation was rendered "very awkward and difficult" by the collapse of the Northwest deal and by late Wednesday night, it had decided to cease operating.

Although carriers such as Pan Am, Continental and America West have been operating under bankruptcy court protection for months, the only other leading airline to cease operations during the current wave of industry consolidation has been the larger Eastern Airlines.

The Eastern fleet was grounded in January.

Strong sales lift The Gap 48%

THE Gap, one of the most successful US speciality retailers, yesterday unveiled a 48 per cent increase in third-quarter profits after tax, at $70.8m.

The figure was scored on sales ahead to $702.1m from $501.7m, writes Nikki Tait.

The Gap – based in California and encompassing the Banana Republic, GapKids and Gap chains – said comparable store-sales rose by a fifth. All divisions contributed to the increase. The company's shares eased ¼ to $29⅛.

First City told to revise capital plan

FIRST City Bancorp of Texas is talking with potential investors following a decision by the Office of the Comptroller of the Currency that First City must revise its capital plan by December 31, Reuter reports.

First City's current capital plan calls for $200m of extra capital in 1992. The revised plan mandated by the Comptroller will require a higher amount of additional capital or the acquisition of First City by another institution.

International Paper acquisition

INTERNATIONAL Paper, the US paper group which has been expanding aggressively in Europe over the past few years, is to buy Scaldia Papier, a Dutch paper distribution business, from VRG, a Netherlands-based paper equipment distributor, writes Martin Dickson in New York.

The terms of the deal were not disclosed however, but Scaldia had 1990 sales of more than $90m and employs about 160 people.

Scaldia distributes coated and uncoated paper to the graphics industry, reprographics papers to offices, government and small suppliers and also sells office and computer supplies.

Loblaw climbs 13% to C$31m

LOBLAW, Canada's biggest food distributor and controlled by the George Weston group, posted a 13 per cent gain in third-quarter profits, but warned the fourth quarter will be hit by price wars in the key Ontario market, writes Robert Gibbens in Montreal.

Third-quarter earnings went ahead to C$31.5m (US$27.8m), or 34 cents a share, up from C$28m, or 32 cents, a year earlier, on sales of C$2.65bn, against C$2.63bn.

The company was helped by improved margins and interest costs which fell 14 per cent.

Profits at the nine-month stage rose to C$75.2m, or 84 cents, from C$67.4m, or 76 cents last time. Sales for the period were C$6.5bn, against C$6.4bn.

JAPANESE INTERIM RESULTS

Honda Motor shows first-half gain

By Steven Butler in Tokyo

HONDA Motor, the Japanese car and motorcycle maker, yesterday reported a 4.5 per cent rise in consolidated pre-tax profits to Y90.64bn ($696.7m) in the six months to the end of September in spite of difficult trading conditions in the world's principal car markets.

Sales rose 4 per cent to Y2,228.5bn, indicating that Honda is performing reasonably well after a period of sluggish sales in Japan.

Increased sales were accounted for by a surge in motorcycle deliveries to Asian countries outside Japan, increased sales volume of cars in north America, and a shift in sales in Japan to more expensive models as well as a small rise in volume. Car sales exceeded Honda's earlier forecasts.

The improved performance came in spite of a sharp rise in the yen which reduced the value of exports and lowered the translation value of profits achieved by Honda's overseas subsidiaries.

Contributions to profits increased from the US because of higher sales and improved economies of scale as production rose at Honda's second Ohio plant.

Consolidated net income none the less fell 5.2 per cent to Y43.12bn. This resulted from a higher tax charge and from net losses in affiliated companies, including the Rover Group, accounted for under the equity method.

Net profits at Honda's parent Japanese company fell sharply from Y26.18bn to Y16.32bn. This was caused mainly by the strength of the yen, which reduced export earnings. An unchanged interim dividend was declared at Y7. Unit sales of cars rose from 970,000 to 996,000 and the value of the sales rose to Y1,826bn from Y1,768bn. Motorcycle unit sales rose 8 per cent to 1.8m and the value rose 11.2 per cent to Y272.9bn. Sales in Honda's other businesses rose marginally to Y129.0bn.

The company said business conditions would continue to be difficult, particularly in Japan, although it lifted its predictions for net consolidated income for the whole year to Y80.1bn, compared with a forecast of Y77bn made in May.

Downturn at Mitsui Chemicals

By Steven Butler

MITSUI Toatsu Chemicals, the Japanese chemicals manufacturer which belongs to the Mitsui group, yesterday reported a 31.7 per cent fall in first-half pre-tax profits to Y8.4bn ($64.6m), while sales rose 2.4 per cent to Y211.5bn.

A decline in sales of synthetic resins was balanced by increased sales of polyester resins and materials for the electronics industry. The fall in profits was accounted for principally by a rise in raw materials costs.

Net earnings rose 3.1 per cent to Y4.42bn following a decline in the tax charge.

Shin-Etsu Chemical, the silicon and PVC manufacturer, showed steady growth in sales in the six months to the end of September and small boost in profits in spite of generally weak economic conditions.

Sales were up 6.9 per cent to Y146.3bn, while pre-tax profits rose by 1.5 per cent to Y12.8bn.

The compnay's net earnings rose 1.7 per cent to Y6.73bn, and an interim dividend of Y3.75 was declared, unchanged from last year.

Ube Industries, the chemical, cement and industrial plant company, reported a 34 per cent fall in pre-tax profits to Y3.45bn, in spite of an 8.1 per cent rise in sales to Y238.6bn.

The source of the increased sales was plant engineering, which climbed from Y41.3bn to Y60.2bn. Net earnings rose from Y2.8bn to Y3.75bn.

Tough competition forces lower drug company profits

By Emiko Terazono in Tokyo

DRUG companies experienced a disappointing interim season to September, and several companies saw declines in non-consolidated profits because of tougher competition, a move to limit prescriptions by doctors, and stricter guidelines concerning fixed pricing of drugs.

Takeda Chemical Industries, the leading pharmaceutical company, saw its pre-tax profits fall 3.9 per cent despite an increase in sales because of a decline in profit margins and a rise in research and development costs.

The company's after-tax profits were also affected by the special loss of Y4bn due to damage caused by the recent typhoons.

Sales of pharmaceuticals grew 4.3 per cent to Y186.3bn and chemical sales rose 6.9 per cent to Y43.6bn.

For the full year, Takeda expects a 3.5 per cent decline in pre-tax profits to Y71bn on a 3.5 per cent gain in sales to Y570bn.

Fujisawa Pharmaceutical, a leading maker of antibiotics, said although sales rose 4.2 per cent and operating profits 4.9 per cent, pre-tax profits declined 4.1 per cent because of warrant issuing costs and a decline in interest received.

Pharmaceutical sales rose 3.7 per cent to Y97.5bn thanks to brisk sales of its anti-allergy drug.

Consumer products sales increased by 10.3 per cent to Y7bn boosted by rises in turnover of foods and flu medicine.

JAPANESE DRUG COMPANIES
Half year results

	Sales		Pre-tax profits	
	Ybn	% change	Ybn	% change
Takeda	279.2	3.0	35.2	-3.9
Fujisawa	114.6	4.2	9.3	-4.1
Yamanouchi	112.4	6.3	31.6	5.4
Shionogi	111.2	2.0	10.1	-4.7
Taisho	98.7	8.9	28.3	2.9

For the full year, Fujisawa projects a 2.5 per cent increase in pre-tax profits to Y19bn on a 4.9 per cent rise in sales to Y232bn.

Yamanouchi Pharmaceutical, known for its digestive agents, posted a 5.4 per cent rise in pre-tax profits on a 6.3 per cent rise in sales, thanks to brisk sales of its anti-ulcer agent, pushing digestive agent sales up 18.8 per cent to Y26.5bn.

For the full year, Yamanouchi expects a 2.3 per cent rise in pre-tax profits to Y61bn on a 2.9 per cent rise in sales to Y220bn.

Shionogi reported weak profits because of a high depreciation charge caused by capital expenditure in the previous year.

However, for the full year strong sales of its mainline antibiotic drugs are expected to lead to an advance in profits. It expects a 1.5 per cent rise in pre-tax profits to Y19.4bn and a 4.5 per cent increase in sales to Y224.7bn.

Taisho Pharmaceutical, specialising in over-the-counter drugs, saw an increase in sales of its anti fever medicines and digestive agents. A 4.1 per cent increase in cash and deposits to Y207.7bn also led to a 57.5 per cent increase in non-operating profits to Y6.2bn.

For the full year, Taisho expects pre-tax profits to rise 2.1 per cent to Y48bn on a 6.1 per cent increase in sales to Y184bn.

● Toshiba, Japan's second largest all-round electric machinery maker, and Hangzhou Machinery and Electronic Development of China will set up a joint venture in Zhejiang, China to produce components for Toshiba's electric and electronic products, Reuter reports from Tokyo.

The venture, to be called Hangzhi, will be capitalised at Y700m. It will be owned 78 per cent by Toshiba and 22 per cent by Hangzhou Machinery. It will start operations in May 1992 with 500 employees, rising to 1,100 in 1996, Toshiba announced.

Hangzhi hopes for sales of Y900m in the year ending March 31, 1993 and Y7bn in 1996-97.

Domestic demand boosts Nintendo

By Emiko Terazono

NINTENDO, the Japanese video game company, reported a 15.2 per cent rise in non-consolidated pre-tax profits to Y76bn for the first six months to September, due to a rise in interest income.

Sales moved up 6.1 per cent to Y245.1bn on strong domestic demand for its new Super Famicon video game. But operating profits fell 8.2 per cent to Y66.1bn because of the strength of the yen. After-tax profits rose 11.2 per cent to Y87.6bn.

Sales of Famicon software was easing slightly, but a 10 per cent year-on-year rise was expected for the full fiscal period.

Interest and dividends received rose 2.2 times to Y13.5bn, due to a 12.8 per cent rise in cash and deposits to Y202.9bn and five-fold rise of investments in commercial paper. On the other hand, non-operating costs fell by 64.5 per cent to Y4.4bn.

For the full year, the company expects a 10.4 per cent rise in pre-tax profits to Y155bn on a 10.8 per cent rise in sales to Y500bn.

Squeeze on margins holds back Toto

By Stefan Wagstyl in Tokyo

TOTO, Japan's largest maker of toilets and sinks, reported a 12.5 per cent increase in interim sales to Y209.7bn due partly to the success of high-technology toilets.

The group's high-tech superloos incorporate heated seats, water spray guns and air dryers, all controlled by microchips. Toto said high-tech lines of kitchen equipment and hot water systems also sold well.

However, due to increased competition, the company's margins fell and pre-tax profits rose by a bare 0.9 per cent to Y16.4bn. After-tax profit was up just 0.7 per cent at Y8.6bn.

For the full year Toto forecasts a 10 per cent lift in sales to Y435bn and a 1 per cent rise in pre-tax profits to Y35bn.

SAB 10% ahead despite 'nightmare' conditions

By Philip Gawith in Johannesburg

SOUTH African Breweries (SAB), the diversified beer and consumer products group, overcame difficult operating conditions to record a 10 per cent increase in earnings in the six months to the end of September.

Mr Meyer Kahn, executive chairman, said the operating environment "was like a nightmare". He said the economic environment and socio-political scene had deteriorated more than expected in May when the company had forecast real growth with the release of its annual results.

South Africa's protracted economic recession finally affected the mass consumer markets in which SAB specialises, with private consumption estimated to have declined by nearly 2 per cent in real terms during the reporting period. Sales were badly affected by consumer boycotts, political violence hampered distribution into black areas and group companies also suffered from industrial action.

Mr Kahn said he was pleased with the group's performance which saw turnover rise by 11 per cent to R7.62bn ($2.72bn), with operating profit 10 per cent higher at R643m. Finance charges rose 41 per cent, this being attributable to R535m capital expenditure. Attributable earnings rose 10 per cent to R236m.

Volume growth in the beer division, which holds about 95 per cent of the South African market and contributed 70 per cent of group earnings, was restricted to 2 per cent real growth.

This compares with 12 per cent volume growth in the year to March, but is a creditable performance given declining consumer spending, and a heavy 20 per cent excise levy introduced in the budget last March. Beer division earnings rose by 16 per cent.

Mr Kahn said group subsidiaries had performed as expected. Worst affected were companies like Afcol and Amrel which rely on "big-ticket" sales like furniture items. Amalgamated Beverage Industries (ABI), franchise bottler and distributor of Coca Cola and other brands, did well, and fruit juice sales, including exports, were good.

Edgars, the retail fashion chain, performed reasonably in the circumstances and supermarket chain OK Bazaars and the group's international operations matched 1990 performances. About 8 per cent of group earnings come from abroad, but the company does not disclose further details. Occupancies in the group's Southern Sun hotel chain were 2 per cent down, but its financial performance was better.

Mr Kahn said economic conditions were not expected to improve during the remainder of the financial year. It wasunlikely earnings would improve. Earnings per share rose 10 per cent to 88 cents and the dividend was raised by a similar amount to 33 cents per share.

Despite the difficult operating conditions, SAB's shares continue to be rated highly. At the current price of R60, they are on a dividend yield of 2 per cent and the group's market capitalisation is more than R16bn.

Growing fax usage benefits HK Telecom

By Angus Foster in Hong Kong

HONGKONG Telecommunications, the Hong Kong subsidiary of Cable and Wireless of the UK, yesterday announced that profits attributable to shareholders increased 13 per cent to HK$2.74bn ($353m)in the six months to the end of September.

Increases in international telephone and fax usage provided much of the growth and the company said it also managed to contain costs during the period.

Turnover gained 13 per cent to HK$8.88bn and the interim dividend is being raised 15 per cent to 17.5 cents.

Mr Michael Gale, chief executive, said telephone traffic to China grew 37 per cent compared to the same period a year ago and now accounts for 41 per cent of Hong Kong's international phone traffic volume.

Costs grew 9 per cent, below Hong Kong's inflation rate, partly because of the laying off of 1,100 staff in March.

Labour costs make up about one half the company's overall costs.

However, the company's effective tax rate increased to nearly 12 per cent because the company is no longer entering into leveraged lease deals.

The company has applied to the government for permission to change its scheme of control, which regulates profits on Hongkong Telecom's domestic services and about 40 per cent of international services.

The company wants to introduce a new scheme which will be based on the inflation rate instead of shareholders funds.

Mr Gale said he expected a reply on the proposals before the end of the financial year.

C&C tightens grip on assets in Malaysia

By Lim Siong Hoon in Kuala Lumpur

CYCLE & CARRIAGE Bintang and Cold Storage, the Malaysian auto and food groups, and their largest Singaporean shareholder, the diversified Cycle & Carriage (C&C), have proposed consolidating their cross-border property holdings.

The consolidation of about M$300m (US$109.4m) in properties will give Singapore's C&C tighter control of the assets. They are to be placed under a Malaysian company, CCL Properties Holdings.

C&C will own 60 per cent in the property company, which is raising M$149m in paid-up capital. C&C Bintang and Cold Storage will have equal shares in the remaining stake.

Earlier this year, Edaran Otomobil Nasional (EON), the Malaysian distributor of Proton cars, bought 20 per cent in C&C.

INTERNATIONAL CAPITAL MARKETS

Australian state plans to sell off insurance office

By Kevin Brown in Sydney

THE STATE government of Victoria yesterday said it would sell the State Insurance Office (SIO) as soon as possible, following the passage of enabling legislation through the state parliament in Melbourne.

The legislation provides for the SIO to be sold as a single operating concern or to be broken into operating businesses for separate disposal. Analysts say the sale could raise up to A$400m (US$314.9m) towards Victoria's debt reduction programme.

The Labor government has been trying to push the enabling Bill through parliament for more than a year, but has previously been frustrated by the conservative opposition, which controls the state's upper house.

Mr Tom Roper, the Victorian treasurer (finance minister) said prospective buyers would be asked to submit tenders shortly to Macquarie Corporate Finance, which will conduct the sale.

The announcement follows a decision by the conservative government of New South Wales to privatise GIO Australia, the NSW state insurer, in a flotation expected to raise around A$1bn.

GIO, the fifth largest domestic insurance company, will be the first government-owned company to be fully floated, following the A$1.3bn flotation of 30 per cent of the Commonwealth Bank by the federal government earlier this year.

NSW also plans to privatise the State Bank of NSW, the biggest of Australia's state government banks. However, the state government says the sale is "a couple of years down the road".

Hungary to extend activities into new areas of fund-raising

By Simon London

HUNGARY plans to extend its activities into new sectors of the international capital markets next year, raising over $1bn from international investors for the second year in succession.

Yesterday, the National Bank of Hungary launched a Y30bn 10-year "samurai" bond issue in the Japanese domestic bond market, bringing the total raised from international investors this year to the equivalent of $1.2bn.

Mr Prigyes Hárshegyi, deputy president of the National Bank of Hungary, said that priorities included a Eurosterling bond issue and an issue in the domestic US bond market.

A sterling bond issue was planned for the autumn of this year but conflict in neighbouring Yugoslavia led it to be postponed.

In London to meet UK institutional investors yesterday, Mr Hárshegyi said that Hungary would exceed many of the economic targets set by the IMF this year. This year was the first of a three-year structural adjustment programme agreed with the IMF.

Hungary is likely to show a small current account surplus this year, despite the collapse of trade with eastern Europe to less than 10 per cent of total trade. The current account target for the year was a deficit of $1.2bn, fully covered by IMF borrowing facilities.

Trade with the EC now comprises 50-per cent of total exports.

Because of this and other economic developments, UK banks are no longer obliged to provide against loans to Hungary under the Bank of England's provisioning matrix. However, the National Bank has no plans to raise a syndicated loan in the UK, Mr Hárshegyi said.

Hungary does not carry an official credit rating. However, Moody's Investors Service, the US rating agency, has assigned an unsolicited Ba1 rating – below investment grade. This unofficial rating was cut from the lowest investment grade level, Baa2, last year.

The downgrading was disputed by the Hungarian authorities. Representatives of the big credit rating agencies have been invited to Budapest as a prelude to gaining a full, solicited credit rating.

Chase closes Argentine retail unit

CHASE Manhattan Bank, the Argentine arm of the US banking group, is closing its local retail banking business, Reuter reports from Buenos Aires.

The move is part of a restructuring aimed at concentrating business in capital markets, company financial advisory services and corporate financing. Chase has a total of nine branches in Buenos Aires and three provincial capitals.

The bank said it had reached preliminary agreement for Banco Frances, a local bank, to acquire its Visa credit card portfolio and the bulk of its retail banking operations.

All the bank's operations will be concentrated at its headquarters in Buenos Aires.

Mr William Gambrel, general manager, said personnel affected by the change would be offered a redundancy programme.

He did not say how many would be affected but banking sources put the number at around 130.

"Chase will concentrate on its successful business of subscription and placing of new debt issues and shares of Argentine private sector clients in the Euromarket," Mr Gambrel said.

Mr Gambrel said the change was in line with Chase's worldwide restructuring aimed at saving $300m in costs combined with a clear and more precise strategic focus.

The Argentine restructuring is subject to approval by the central bank and other regulatory bodies.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on November 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	103⅝		6.20
ALBERTA PROVINCE 9 3/8 95	600	107⅞	108¼		7.02
AUSTRIA 8 1/2 00	400	103¾	104¼	-⅛	7.85
BANK OF TOKYO 8 3/8 96	100	103	103½	+⅛	7.53
BELGIUM 9 5/8 98	250	109½	110	-¼	7.73
BFCE 7 3/4 97	150	102¼	102¾	+½	7.24
BNP 8 5/8 94	300	105	105½	+⅛	6.54
BP CAPITAL 9 5/8 93	150	103⅞	104½	+¼	6.06
CANADA 9 96	1000	107⅝	107⅞		6.87
CARCO 9 1/4 96	650	104⅛	105¼	+1	8.15
CCCE 9 1/4 95	300	107¼	107⅝		6.70
COUNCIL EUROPE 8 96	100	102⅝	103¼	-½	7.31
CREDIT FONCIER 9 1/2 99	300	109¼	109⅝	-¼	7.77
DENMARK 8 1/4 94	150	104⅛	104½	-¼	6.55
DENMARK 9 1/4 95	1571	107¼	107½	-¼	6.78
ECSC 8 1/4 96	193	104⅞	105½	+¼	7.07
EEC 7 1/4 93	250	101½	102	+⅛	5.98
EIB 7 3/4 96	250	102⅞	103¼	+⅛	6.99
EIB 9 1/4 97	1000	108⅞	109¼	+⅛	7.37
ELEC DE FRANCE 9 98	200	107¼	107½	+⅛	7.53
EURO CRED CARD TST 9 94	325	105¼	105⅝	+¼	6.99
EUROFIMA 9 1/4 96	100	106⅝	107⅛	-⅛	7.35
EXPORT DEV CORP 9 1/2 98	150	109¼	109½	-¼	7.60
FINLAND 7 7/8 97	200	102¼	102⅝	+¼	7.36
FINNISH EXPORT 9 3/8 95	200	107⅞	108¼		7.06
FORD MOTOR CREDIT 9 1/2 93	300	104	104½	+¼	7.22
GEN ELEC CAPITAL 9 3/8 96	300	107¼	107⅝	+⅛	7.42
GMAC 9 1/8 96	200	104⅜	104⅞	+⅛	7.87
HALIFAX 9 1/2 93	200	105⅛	105½	+⅛	6.03
IBM WORLD TRADE 7 5/8 93	150	101¼	101⅝	-⅛	6.94
IND BK JAPAN FIN 7 7/8 97	200	100⅞	101⅜		7.66
INTER AMER DEV 7 5/8 96	200	101¼	101⅝	-⅛	7.30
ITALY 8 1/2 94	1500	105⅛	105½	-⅛	6.44
JAPAN DEV BK 8 94	150	103⅛	103⅜	-⅛	6.48
KANSAI ELEC PWR 10 96	350	108⅞	109⅜	-⅛	7.52
LTCB 8 5/8 93	150	102⅝	103⅛		6.44
NEW ZEALAND 8 93	100	102⅛	102⅝	-⅛	6.35
NIPPON CRED BK 9 3/4 93	150	105¼	105⅝	-⅛	6.72
NIPPON TEL & TEL 9 3/8 95	200	107	107½	+⅛	6.91
NORDIC INV BANK 9 93	200	104⅛	104⅝		6.07
ONTARIO HYDRO 11 5/8 94	200	110⅛	110⅝	+⅛	6.58
OSTER KONTROLLBANK 8 1/8 93	200	102⅞	103⅜		5.80
PETRO-CANADA 7 1/4 96	200	100⅜	100⅞	+⅛	7.13
QUEBEC HYDRO 9 3/4 98	150	109	109⅜	+⅛	7.99
QUEBEC PROV 9 98	200	104⅞	105⅜	+⅛	7.98
SAINSBURY 9 1/8 96	150	106½	106⅞	+⅛	7.48
SAS 10 99	200	106⅝	107⅛	+⅛	8.81
SBAB 9 1/2 95	500	107⅞	108⅜		6.93
STATE BK STH AUST 9 1/4 93	100	103½	103⅞	-⅛	6.19
SUMITOMO BK CAP MKT 9 3/8 93	150	104⅝	105¼	-⅛	6.84
SWEDEN 8 1/8 94	150	103¾	104¼		6.51
SWEDISH EXPORT 9 5/8 93	100	104	104½	-⅛	6.24
TOKYO METROPOLIS 8 1/4 96	200	103⅞	104⅜	-¼	7.29
WORLD BANK 8 3/8 99	1500	104⅞	105¼	+⅛	7.68
WORLD BANK 8 3/4 97	1500	107⅝	107⅞	+⅛	7.12
XEROX CORPN 8 3/8 96	100	101⅞	102¼	-⅛	8.01

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101½	101⅞	-⅛	10.62
BULGARIAN TRADE BK 8 1/2 96	200	85½	85½	+1	12.77
DEUTSCHE FINANCE 7 1/2 95	1000	97⅝	97⅞		8.36
EIB 5 3/4 98	400	87⅛	87⅜		8.37
EIB 6 7/8 95	300	96⅛	96⅜	-⅛	8.04
EUROFIMA 6 1/4 98	400	89⅛	89⅜		8.41
FERRO DEL STAT 5 3/8 93	500	96⅛	96⅜		8.86
FIRST INTERSTATE 5 3/4 96	100	84¼	84⅝	-⅛	10.29
IND BK JAPAN FIN 5 5/8 96	200	88⅛	88⅜		8.96
IND DEV BK INDIA 6 3/8 94	200	90	90	+1	10.29
LUFTHANSA INT FIN 5 7/8 98	500	86⅛	86⅜		8.63
NACIONAL FINANCIERA 11 95	150	101	101		10.61
NAT BK HUNGARY 8 96	200	92	92	+1¼	10.12
QUEBEC HYDRO 6 3/4 99	300	89½	89½		8.73
SWEDEN 6 1/8 98	300	89	89	-¼	8.42
VENEZUELA 8 1/4 93	100	96½	96½	+⅛	10.27
WORLD BANK 0 15	2000	18⅛	18⅜	+¼	7.25
WORLD BANK 5 3/4 96	300	91⅛	91⅜	+¼	8.25
WORLD BANK 7 1/8 95	900	97⅝	97⅞	+¼	7.99

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86½			7.34
AUSTRIA 4 5/8 98	100	88	89		7.06
CHUBU ELEC POWER 6 3/4 01	300	99	99½		6.89
COUNCIL EUROPE 4 3/4 98	250	87⅞	88¼	-¼	7.25
EEC 5 1/2 00	100	89	89½		7.20
EIB 6 1/2 98	600	98¼	98¾	+⅛	6.82
ELEC DE FRANCE 7 1/4 06	100	100	100½	-½	7.25
FINLAND 5 3/8 95	150	94	94½	+¼	7.17
GENERAL MOTORS 7 1/2 95	100	100	100½	+1	7.48
JAPAN DEV BK 5 1/2 94	100	95½	96	+¼	7.75
KOBE 6 3/8 01	240	95½	96	+½	7.02
NEW ZEALAND 4 7/8 99	200	85	86	-½	7.65
QUEBEC HYDRO 5 08	100	75	76		7.74
WORLD BANK 5 03	150	83	83¼		7.19
WORLD BANK 7 01	600	101¼	101¼	+⅛	6.81

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	97¾	98		5.87
CREDIT FONCIER 5 1/4 94	20000	97⅞	98⅛		6.02
DENMARK 7 95	40000	103⅛	103⅜		5.89
EIB 4 5/8 94	40000	97½	97⅞		5.72
FINLAND 6 3/4 96	50000	102⅛	102½	-⅛	6.15
GENERAL ELECTRIC 5 3/4 93	35000	99⅛	99⅜		6.30
INTER AMER DEV 7 1/4 00	30000	108¼	108⅝	-¼	5.98
KANSAI ELEC PWR 4 5/8 94	60000	96⅜	96⅞		6.13
NIPPON TEL & TEL 5 7/8 96	50000	99½	99¾	-⅛	5.99
NORWAY 5 1/8 95	50000	97⅝	97⅞	-⅛	5.91
SNCF 6 3/4 00	30000	104⅞	105¼	-⅛	5.98
SWEDEN 5 5/8 95	20000	98⅝	99⅛		6.03
WORLD BANK 6 3/4 00	50000	105	105¼	-⅛	5.96

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.61
KREDIETCORP 7 93 LFr	1000	95⅞	96⅞		9.66
WORLD BANK 8 96 LFr	1000	96⅛	97⅛		9.07
ABN AMRO HOLDINGS 9 1/4 01 Fl	750	102⅝	103		8.81
UNILEVER 9 00 Fl	500	103¼	103⅝		8.44
BCE INC 9 5/8 93 C$	300	101⅞	102¼		8.32
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝		9.40
BRITISH COLUMBIA 9 1/4 93 C$	150	101¼	101⅝	-⅛	8.24
EIB 10 1/8 98 C$	130	105⅝	106⅛	+1⅛	8.90
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	103⅝	-⅛	9.16
FORD CREDIT CANADA 10 94 C$	100	102⅜	102⅞	-⅛	8.95
GENERAL ELECT CAP 10 1/4 93 C$	175	103¼	104		8.29
ONTARIO HYDRO 10 7/8 99 C$	900	107⅛	107⅝	-⅛	9.42
OSTER KONTROLLBANK 10 1/4 99 C$	150	106	106½		9.12
QUEBEC PROV 10 1/2 98 C$	200	105⅛	105⅝	-⅛	9.47
ROYAL TRUSTCO 10 1/4 93 C$	100	101⅝	102	+⅛	8.99
SWEDEN 9 3/4 93 C$	250	101⅞	102¼	-⅛	8.28
BELGIUM 9 1/8 96 Ecu	1250	100⅛	100⅝		8.96
CNT 7 3/8 93 Ecu	250	96	96¼		10.11
CREDIT LYONNAIS 9 96 Ecu	125	97	98⅛	-1	9.83
DENMARK 7 5/8 96 Ecu	250	92	92⅞	-⅛	9.91
EEC 7 5/8 94 Ecu	200	96⅛	96⅞		9.43
EIB 10 97 Ecu	1125	104⅝	104⅞		8.84
ITALY 10 3/4 00 Ecu	1000	110	110¼	+⅛	8.99
UNITED KINGDOM 9 1/8 01 Ecu	2750	102	102¼		8.79
BP AMERICA 12 1/4 96 A$	100	107⅛	107⅝	+⅛	10.06
COMM BK AUSTRALIA 13 3/4 99 A$	100	117¼	117⅝	+⅛	10.43
COUNCIL EUROPE 13 93 A$	50	104	105	+⅛	9.47
EKSPORTFINANS 12 3/8 95 A$	75	108⅞	109¼	+⅛	9.32
FORD CRED AUST 13 93 A$	50	102⅝	103⅛	-⅛	10.65
MCDONALDS CANADA 15 95 A$	100	114⅜	114⅞	+⅛	10.02
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅝	110⅛		9.72
STATE BK NSW 14 1/4 99 A$	100	117⅜	117⅞	+⅛	10.84
VOLKSWAGEN INTL 15 94 A$	100	110⅝	110⅞		9.92
ABBEY NATL TREAS 13 3/8 95 £	100	107⅛	107⅝	-⅛	10.60
BARCLAYS JERSEY 9 1/2 93 £	250	99	99⅛		10.22
BRITISH GAS 12 3/4 95 £	300	106⅛	106⅞	-⅛	10.30
DEUTSCHE BK FIN 11 94 £	225	101⅝	102		10.09
EIB 10 97 £	536.5	100	100¼		9.98
FORD CREDIT FUNDING 9 5/8 93 £	50	98⅛	98⅝	+⅛	10.93
INTER AMER DEV 11 3/8 95 £	75	103⅝	104⅛		10.06
ITALY 10 1/2 14 £	400	99⅝	99⅞	+⅛	10.53
LAND SECS 9 1/2 07 £	200	85⅞	86¼		11.47
LEEDS PERMANENT 9 1/4 93 £	50	98⅛	98⅝		10.56
NORWAY 10 1/2 94 £	200	101	101¼	+⅛	9.93
ROLLS-ROYCE 9 5/8 93 £	150	98⅛	98⅜	+⅛	10.77
SAINSBURY 10 7/8 93 £	100	100⅛	100⅝		10.69
SKANDINAVISKA ENSK 13 1/8 95 £	100	106	106½		10.81
WORLD BANK 11 1/4 95 £	100	103⅜	103⅞		10.01
ABBEY NATIONAL 0 96 NZ$	100	63⅞	64⅜	+⅛	9.65
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	106⅛	107¼	-⅛	9.26
AIDC 7 7/8 93 FFr	600	97½	97¾		9.37
CEPME 10 95 FFr	2000	102⅝	102⅞	+⅛	9.08
EURATOM 7 5/8 98 FFr	500	92½	93¼	-½	9.17

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.50	99.60	10.6425
BANCO ROMA 0.03 01	200	91.50	92.50	6.4675
BANCO SANTO SPIRITO 93	200	99.60	99.72	5.6250
BELGIUM 1/16 97 DM	500	99.99	100.09	9.5000
BFCE -0.02 96	350	99.94	100.10	6.1050
BNP 05	300	95.50	96.25	5.5625
BRITANNIA 1/10 96 £	150	99.12	99.31	10.6625
CCCE 06 ECU	200	99.93	100.03	9.7500
CITIZENS FED 0.15 96	100	99.45	99.95	5.9625
COMMERZBK O/S FIN 93	200	100.04	100.16	5.8750
CREDIT FONCIER -1/16 98	200	99.90	100.00	5.3438
DENMARK -1/8 96	1000	99.84	99.94	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.05	9.5156
ELEC DE FRANCE 1/8 99	400	100.65	100.95	6.0625
FERRO DEL STAT 94	200	100.86	101.11	5.9375
HALIFAX 1/10 94 £	200	99.95	100.05	10.5375
IRELAND 98	300	99.51	99.61	6.4400
ITALY 00	500	100.57	100.67	6.3750
MITSUI FIN ASIA 1/8 96	100	99.53	99.63	5.9375
MORGAN (JP) 1/4 97	250	99.00	99.96	6.0000
NAT WEST FIN 3/16 05	400	91.80	92.80	5.5000
NEW ZEALAND 93	500	99.99	100.10	5.7500
RENFE 98	500	99.90	100.00	6.0625
SOCIETE GENERALE 96	300	99.49	99.59	5.6250
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.95	99.99	5.2500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	126	127⅞	
CHUBB CAPITAL 6 98	250	86	104½	105¼	+23.96
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	99	100	+12.20
EASTMAN KODAK 6 3/8 01	300	50.67	104	105	+6.46
GOLD KALGOORLIE 7 1/2 00	65	1.0554	77½	78½	+57.97
HANSON 9 1/2 06 £	500	2.5875	98⅛	99⅛	+22.67
HAWLEY 6 02 PREF	400	19.1	83½	86⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	115¼	116¼	
LAND SECS 6 3/4 02 £	84	6.72	84½	85½	+12.44
LASMO 7 3/4 05 £	90	5.64	78½	79½	+42.36
MITSUI BANK 2 5/8 03	200	2337½	96	98	+12.00
MOUNT ISA FIN 6 1/2 97	100	2.283	89⅛	90⅛	+20.36
OGDEN 6 02	85	39.077	75	76	+51.27
SMITH & NEPHEW 4 02 £	90	1.775	118⅛	119⅛	+55.64
SUMITOMO BANK 3 1/8 04	300	3606.9	77⅜	78⅜	+14.94
TEXAS INSTRUMENTS 2 3/4 02	300	82⅜	87	88	
THORN EMI 5 3/4 04 £	103	7.45	118⅛	119⅜	+8.78

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Milan sets date for screen-based trading

By Haig Simonian and Antonia Sharpe in Milan

SCREEN-based trading in a limited number of shares on the Milan bourse should start on November 25, Mr Lucio Rondelli, chairman of the Generale Telematica di Borsa, the company setting up the system, said yesterday.

Separately, Consob, the Italian stock market watchdog headed by Mr Pazzi Bruno, required brokers to disclose all carry-over positions held by themselves and their clients as of yesterday's close of the November trading account. Carry-over positions are outstanding orders or positions which have not been fulfilled during the account period.

Lucio Rondelli: system will start with five or six stocks

Consob's unprecedented move is part of efforts to clean up the bourse, which has been blighted recently by a string of stockbroker bankruptcies. The additional reporting requirement is likely to remain in force for some months.

The news came as Milan stockbrokers were focusing their attention on the forced liquidation of two insolvent colleagues, Mr Claudio Capelli and Mr Gianangelo Sozzi.

IMI Securities, the London-based broker controlled by the Italian state company, IMI, confirmed that it had an exposure of £2.5m ($4.45m) towards Mr Sozzi. IMI added that it was a limited amount and that it would honour all commitments to its clients.

The move to screen-based trading follows the start this week of the final phase of tests. Failing technical problems, Consob should give the green light later this month. The introduction of computer-based trading has been progressively postponed from June, owing to technical problems and Consob's demand for greater transparency.

Mr Rondelli said the new system will kick off with five or six second-line stocks. La Rinascente, the Fiat-controlled retailer, is widely expected to be one of them.

Use of the system will be free until the end of the year. However, from January, there will be an annual subscription of L15m ($12,000) per terminal, rising to L24m in 1993. Brokers will be able to apply to have terminals in their offices from next year, which could threaten the future of floor trading.

BZW lists Taiwan fund in Hong Kong

BARCLAYS de Zoete Wedd Investment Management (BZW) has listed the first Taiwan index fund on the Hong Kong stock market for investment in the Taiwan securities market to non-Taiwanese investors, Reuter reports from Hong Kong.

The Taiwan Tracker Fund will invest in listed Taiwan shares with an objective of tracking the Taiwan Stock Exchange Weighted Stock Index. The $40m fund, which is divided into an index sub-fund and a liquidity sub-fund, provides a mechanism for investors to switch in or out of the index at weekly intervals.

● Global Brokerage is to launch Turkey's second investment trust with an initial capital of TL5bn ($1m). "We expect formalities to be completed in about a month," the group said. Turkish capital market regulations ban brokerage houses from setting up companies, but do not bind the brokers.

The trust will handle its own custody services and be able to invest in all domestic and foreign securities, including government and private sector bonds.

Commerzbank opens Budapest office

COMMERZBANK has officially opened a representative office in Budapest aimed at supporting Hungary's foreign trade and direct investment, Reuter reports.

The German bank said it foresaw increasing demand for its consulting services and investment advice in Hungary. The office would be converted into a branch as soon as the necessary legal framework existed, Commerzbank added.

INTERNATIONAL CAPITAL MARKETS

Treasuries rebound after favourable inflation data

By Patrick Harverson in New York and Richard Waters in London

BOND prices in New York bounced back from Wednesday's big losses yesterday morning, rising sharply at the long end in the wake of more favourable inflation, retail sales and jobless claims figures.

By midday the benchmark 30-year Treasury bond was up ½ at 102 1/16, yielding 7.815 per cent. The two-year note was only slightly higher, up 1/32 at 100 11/32, yielding 5.606 per cent.

A string of economic news lifted the gloom that had descended on the market after Wednesday's unexpected big rise in October producer prices had sparked fears that the Federal Reserve would have to stop cutting interest rates or face a return of high inflation.

The most important figure released yesterday came from the Labor Department, which reported that the consumer price index rose just 0.1 per cent last month, an increase which was smaller than expected. The Commerce department, meanwhile, reported that retail sales fell 0.1 per cent last month. Finally, a rise of 33,000 in initial state unemployment claims for the last week of October was announced, a sign of continued weakness in the jobs market.

All the figures were good news for the bond markets; they support the contention that the economy is struggling to pull away from recession, and that the slump in economic activity has put a lid on inflationary pressures.

GOVERNMENT BONDS

■ GERMAN government bonds strengthened during the day despite warnings from the government's council of economic advisers – known as the "five wise men" – about the state of the economy. After interest cuts in Japan and the US in recent days, these helped to keep the German market firmly focused on the possibility of an interest rate rise in the near future.

The advisers also warned that the withholding tax compromise announced at the start of this week – which had helped to spur a rally in the German government bond market – may be against the constitutional principle of fair taxation. They attacked the high tax-free ceilings announced by the government, which had helped to stoke domestic demand for bonds in recent days.

Market observers took this as a sign that the withholding tax saga may not yet be over. However, on a day when US Treasury bonds moved strongly, this was not enough to make much effect on prices.

Bund futures, which opened at 86.22, had dropped almost 10 basis points in the morning, before the news from the US. They jumped back sharply in a day of heavy trading, finally closing at 86.33.

■ SHORTER-dated UK gilts eased marginally yesterday as traders said that there was now no expectation of a cut in the UK base rate today. The 10 per cent gilt due 1993 closed down just one tick at 100 13/32 on the day. Although today's retail price inflation figures are expected to show a marked fall, sterling weakness is now thought to have removed all possibility for a cut.

Elsewhere, the benchmark 2003/07 government bond rose by 1/16 on the day to 114 1/32 on the back of the US news, despite the release of mixed statistics on UK earnings. These failed to bring the hoped-for fall in earnings for September, which remained unchanged at the August level of 7.75 per cent.

■ THE US news also helped to push other European markets higher yesterday. French government bonds traded within a ¼ percentage point range during the day, ending near the high for the day. Analysts expected bonds to keep within a narrow spread of 40-50 basis points of German government bonds in the coming weeks as the Bank of France continued to fight to keep short-term interest rates from rising.

■ THE 0.5 per cent cut in the Japanese discount rate, when it came, had been so widely expected that it failed to stir the government bond markets, either in Japan or internationally. The market rallied slightly on the day, with the yield on the benchmark No 129 falling two basis points in Tokyo to close at 5.86 per cent.

● WESTDEUTSCHE Landesbank Girozentrale will acquire a minority stake in Hungary's General Bank for Venture Financing from the State Property Agency (SPA), Reuter reports from Budapest.

The SPA said its stake in General Bank for Venture Financing amounted to 520m forints ($6.63m) out of the bank's original capital of 2.22bn forints.

It said the bank expected pre-tax profits to decline to around 770m forints this year from 840m forints in 1990.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.6700	+0.480	9.82	9.81	9.94
BELGIUM		9.000	05/01	99.6000	+0.100	9.02	9.06	9.07
CANADA *		9.750	12/01	100.0500	+0.500	8.49	8.52	8.90
DENMARK		9.000	11/00	100.9400	+0.170	8.84	8.91	8.93
FRANCE	BTAN	8.500	11/96	98.5900	+0.120	8.85	8.95	8.91
	OAT	9.500	01/01	104.8100	+0.280	8.70	8.80	8.75
GERMANY		8.25	09/01	100.2400	+0.160	8.21	8.30	8.14
ITALY		12.000	06/01	97.5500	+0.060	12.44	12.49	12.34
JAPAN	No 119	4.800	06/99	92.8380	+0.074	6.18	6.27	6.26
	No 129	6.400	03/00	103.0277	+0.115	5.88	5.95	5.94
NETHERLANDS		8.500	03/01	98.6900	+0.070	8.70	8.77	8.71
SPAIN		11.900	07/98	100.4300	-0.070	11.72	11.62	11.50
UK GILTS		10.000	11/96	101-11	-02/32	9.65	9.69	9.77
		10.000	02/01	102-07	+02/32	9.63	9.72	9.75
		9.000	10/08	95-05	+05/32	9.48	9.52	9.54
US TREASURY *		7.875	08/01	101-02	+14/32	7.35	7.49	7.46
		8.125	08/21	102-02	+19/32	7.82	8.01	7.88

London closing. *New York morning session. Prices: US, UK in 32nds, others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

Lehman set to expand operations in Germany

By Tracy Corrigan

LEHMAN Brothers International, the European arm of the US investment bank, is expanding its German operations, as its banking unit, Lehman Brothers Bankhaus, and brokerage Shearson Lehman Brothers, move into new premises together.

The German operation, which currently employs 70 staff, is aiming to expand in three main areas: D-Mark fixed income, D-Mark equities, and money-market activities, particularly commercial paper. It will be recruiting experts in those areas where necessary.

The move is part of the firm's strategy of strengthening its European operations, which could soon include an office in Berlin. It currently has offices in Paris, Madrid, Milan, Geneva and Zurich.

Greece Fund beats motion by dissidents

By Philip Coggan, Personal Finance Editor

THE board of the Greece Fund, a closed-end investment vehicle, narrowly defeated a dissident motion yesterday. The proposal would have required directors to put forward proposals within 90 days, allowing investors to realise their investment at close to asset value.

The motion was defeated by 892,312 votes to 841,300 and Mr Jay Lightburn, a Paris lawyer representing dissident shareholders, said that the majority of independent investors had supported the plan.

Mr Lightburn's group is unhappy that the shares stand at such a large discount to net assets. However, Lord Jellicoe, chairman of the fund, argued at the meeting that the current illiquidity of the Greek stock market made it an inappropriate time to alter the structure of the fund.

Lord Jellicoe added that Crédit Lyonnais Laing had agreed to act as broker to the company and Baring Securities would be market-maker.

Abbey National in £150m issue

By Simon London

ABBEY National yesterday raised its first fresh capital since converting from a building society to a bank in 1989.

The company launched an issue of £150m subordinated bonds maturing 2017, lead managed by Baring Brothers. The bonds carry a 11½ per cent coupon and were priced to yield 175 basis points more than UK government securities.

The issue counts as tier II or non-core capital under the Basle guidelines for international bank capital adequacy. Mr Gareth Jones, treasurer, said Abbey National has an equity to assets ratio of 11 per cent, well above its undisclosed target set by the Bank of England. However, the bank has very little subordinated capital in place and the proposed acquisition of Scottish Mutual, the insurance group, will lead to £285m being deducted from capital.

Abbey National wanted to raise capital ahead of an anticipated upturn in subordinated debt and preference share issues by banks and building societies next year.

The issue was well-received by UK institutional investors, mainly insurance companies and pension funds with long-dated liabilities. The yield spread over government bonds was seen as generous compared with similar issues by Halifax Building Society and Trustee Savings Bank, which were trading at yield spreads of 160 and 165 basis points respectively.

The lead manager said the deal could not have been fully placed at a lower yield because of the small number of UK investors willing to buy subordinated debt securities.

The bonds were rated Aa3 by Moody's Investors Service and AA- by Standard & Poor's, the US credit rating agencies. The proceeds of the issue will be swapped into floating-rate sterling funds at an interest rate of around 120 basis points over the London interbank offered rate.

National Power steps up issue to £200m

By Simon London

NATIONAL Power, the UK electricity generating company privatised in March, yesterday launched its first international bond issue, raising £200m 10-year funding.

The deal, lead managed by Credit Suisse First Boston, drew a warm reception from investors and was increased from £175m during the morning session. The bonds carry a coupon of 10⅝ per cent and were priced to yield 83 basis points more than UK government bonds.

INTERNATIONAL BONDS

The yield spread was around 20 basis points wider than the most comparable outstanding issue, Thames Water's £150m 10-year deal. This was generous enough to attract early enthusiastic buying from UK institutional investors. Japanese institutions, many of which are keen holders of bonds issued by utility companies, also showed strong interest.

By the close of trading the deal was quoted at 99.80 bid, up from a fixed re-offer price of 99.68, where the yield spread over government bonds is around 80 basis points.

Although National Power does not carry a long-term credit rating, the deal includes an investor put option should there be any change to the company's operating licence which has negative implications for bondholders. To avoid the put option being exercised, National Power would have to achieve an investment grade credit rating.

Mr Philip Smith, treasurer, said that the proceeds of the issue would be used to finance capital expenditure. Other financing needs are being met from £50m government debt, a £1.5bn revolving credit facility with banks and US and Euro-commercial paper programmes established during the summer.

In addition, National Power is negotiating a loan from the European Investment Bank for energy-related projects. Hence it is unlikely to be a regular bond market borrower for some time.

Elsewhere, Argentina came with a $200m two-year deal, also lead managed by CSFB. The bonds carry a coupon of 9½ per cent and were priced to yield 375 basis points more than US treasury paper of the same maturity.

The yield spread was seen as very tight by market participants, although most reported steady sales to off-shore accounts and European retail investors. Argentina's outstanding Eurodollar bond issue also has a two-year maturity but includes an investor put option after one year – offering investors an escape route should the country face a political or economic crisis.

Asfinag, the Austrian government-backed road finance agency, launched a Y30bn nine-year deal into a Euroyen sector saturated with new issues over the past week. The deal, lead managed by Nomura International, was seen as fairly priced by market participants but fell from a fixed re-offer price of 99.83 to 99.45 bid by the close, outside full fees of 32.5 basis points.

● The $300m "dragon bond" launched on Wednesday by the Asian Development Bank, has been received enthusiastically by the capital markets of Hong Kong, Singapore and Taiwan, writes Greg Hutchison from Manila.

Yesterday, the issue was priced at 99.60 per cent and carries a coupon of 7.5 per cent. The bonds will be listed on the exchanges of all three dragon economies.

Lead managers for the issue, the ADB's first US dollar public bond issue in the Asian region, are Lehman Brothers, Wardley, DBS Bank, Bank of Communications and China Trust.

The proceeds of the issues are being swapped into Japanese yen. The ADB said that the issue was meant to contribute to the development of the Asian region's capital markets and to stimulate participation by the region's investment banking community.

● Hanson, the UK conglomerate, confirmed the completion of its near-$9bn refinancing, part of it linked to the acquisition of Beazer, the construction and building materials group, after a substantial over-commitment by banks in the US.

While banks committed $7bn for the US portion of the financing, Hanson finally fixed its requirement there at $3.2bn. It also raised £3.1bn in the UK.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Asian Development Bk(b)†	300	7½	99.60	1998	35/20bp	Lehman Brothers
Republic of Argentina(a)†	200	9½	99.78	1993	1/½	CSFB
STERLING						
National Power(c)†	200	10⅝	101.28	2001	2/1¾	CSFB
Abbey Nat.Sterling Cap.(d)†	150	11½	101.715	2017	2½/1⅞	Baring Bros.
CANADIAN DOLLARS						
Bayerische Hypobank(e)†	100	8½	101¼	1995	1⅝/1	Hambros Bank
SWISS FRANCS						
Credit Local de France(d)†	75	7¼	102	2001	2⅞	Bque.Paribas (Suisse)
Rasa Industries(a)★★§	50	5⅞	100	1996	-	Daiwa (Switz)
GUILDERS						
NV DSM(a)†	300	9	100.40	1999	1/⅝	Rabobank Nederland
YEN						
Asfinag(a)†	30bn	6	99.83	2000	32.5/20bp	Nomura Int.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Dragon issue. Non-callable. c) Event risk put option at par, should changes to the issuer's operating licence materially affect position of bond holders. d) Subordinated issue. Non-callable. e) Full name of borrower – Bayerische Hypotheken & Wechsel-Bank AG. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Thursday November 14 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Nov 13 Index No.	Tue Nov 12 Index No.	Mon Nov 11 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (181)	797.37	+0.1	8.76	6.11	14.53	32.12	796.74	803.78	809.99	689.47
2 Building Materials (23)	986.22	+0.6	7.43	6.31	17.78	41.35	980.82	983.87	991.63	912.79
3 Contracting, Construction (30)	1054.89	......	7.58	6.97	18.83	50.73	1054.46	1061.39	1077.79	1116.62
4 Electricals (11)	2457.87	-0.3	8.85	5.94	14.30	98.23	2465.01	2486.77	2490.23	1804.91
5 Electronics (25)	1722.96	+0.7	10.74	5.53	11.83	51.95	1710.76	1734.03	1737.01	1584.95
6 Engineering-Aerospace (8)	346.01	+0.2	16.20	7.50	7.45	18.52	345.36	350.98	357.03	396.35
7 Engineering-General (43)	478.31	-0.5	10.13	5.23	12.19	16.79	480.56	483.96	486.36	348.26
8 Metals and Metal Forming (9)	353.27	+0.8	2.09	10.03	-	18.43	350.58	352.36	370.51	393.66
9 Motors (12)	322.31	-0.1	8.03	7.47	16.53	17.56	322.55	327.00	334.38	271.74
10 Other Industrial Materials (20)	1566.58	-0.3	8.05	5.20	14.76	57.59	1571.66	1586.94	1584.65	1144.84
21 CONSUMER GROUP (190)	1607.13	+1.3	7.16	3.48	17.28	36.47	1586.41	1601.80	1588.90	1178.68
22 Brewers and Distillers (22)	1940.56	......	7.94	3.47	15.33	38.33	1941.45	1964.41	1960.18	1493.49
25 Food Manufacturing (19)	1212.89	+0.3	9.34	4.12	13.25	30.09	1209.39	1220.09	1217.38	993.47
26 Food Retailing (17)	2398.62	+0.5	9.48	3.43	13.73	58.06	2385.69	2446.31	2424.28	2214.35
27 Health and Household (23)	4257.72	+3.7	4.83	2.26	23.77	67.75	4107.45	4122.11	4044.21	2372.95
29 Hotels and Leisure (24)	1355.80	......	7.52	5.19	16.44	45.61	1356.58	1362.92	1356.98	1202.53
30 Media (26)	1474.15	+0.6	7.16	4.84	18.26	47.37	1465.99	1494.48	1489.56	0.00
31 Packaging, Paper & Printing (17)	770.33	+0.3	7.01	4.31	17.30	24.09	767.87	770.67	770.50	478.86
34 Stores (32)	1039.64	+1.4	7.29	3.56	17.97	25.03	1025.75	1034.08	1028.86	794.47
35 Textiles (10)	642.37	-0.4	7.25	4.83	17.59	19.91	644.70	648.75	641.09	410.33
40 OTHER GROUPS (110)	1244.21	+0.1	9.62	5.25	13.12	36.29	1243.07	1256.08	1244.90	952.30
41 Business Services (12)	1387.34	+0.3	7.87	4.71	15.72	39.29	1383.36	1398.00	1397.97	0.00
42 Chemicals (21)	1421.57	+0.7	6.98	5.15	17.79	48.39	1411.40	1430.81	1425.64	996.22
43 Conglomerates (11)	1435.77	-0.4	10.06	7.30	12.05	38.87	1440.90	1456.10	1447.15	1215.74
44 Transport (13)	2318.62	-0.2	6.19	4.88	20.72	68.25	2324.00	2344.54	2306.38	1745.47
45 Electricity (16)	1193.01	+0.3	14.72	5.45	8.86	27.53	1189.75	1208.35	1197.46	0.00
46 Telephone Networks (4)	1502.78	......	10.28	4.15	12.74	28.34	1502.85	1513.76	1497.87	1094.79
47 Water (10)	2380.24	-0.6	17.16	6.49	6.45	125.82	2395.01	2412.94	2387.04	1964.69
48 Miscellaneous (23)	1853.93	+0.4	5.31	5.32	26.08	70.30	1846.54	1867.48	1846.65	1493.42
49 INDUSTRIAL GROUP (481)	1289.20	+0.7	8.23	4.52	15.23	35.98	1280.27	1292.81	1285.77	989.49
51 Oil & Gas (19)	2321.67	-0.7	11.26	5.99	11.73	103.73	2338.77	2386.10	2376.16	2239.52
59 500 SHARE INDEX (500)	1379.48	+0.5	8.58	4.69	14.71	41.31	1372.26	1387.40	1380.06	1092.05
61 FINANCIAL GROUP (91)	779.04	+0.3	-	5.98	-	32.19	776.39	783.29	775.85	689.77
62 Banks (9)	910.70	+0.5	4.58	5.86	41.33	37.46	906.21	912.42	903.02	727.23
65 Insurance (Life) (7)	1508.95	+0.4	-	5.61	-	63.68	1503.23	1513.47	1504.35	1276.77
66 Insurance (Composite) (6)	573.11	+0.3	-	7.66	-	32.94	571.47	584.22	568.11	598.99
67 Insurance (Brokers) (10)	1105.40	+0.6	7.42	6.03	17.75	43.14	1098.56	1106.79	1101.36	935.93
68 Merchant Banks (7)	495.05	+0.4	-	4.26	-	13.08	493.17	490.05	484.27	334.47
69 Property (35)	889.33	-0.1	6.08	5.24	23.24	25.28	890.48	899.29	902.79	941.23
70 Other Financial (17)	249.91	+0.2	11.34	6.92	11.09	11.72	249.47	250.13	250.46	243.06
71 Investment Trusts (70)	1213.91	+0.2	-	3.57	-	29.18	1211.12	1218.14	1212.89	988.37
99 ALL-SHARE INDEX (661)	1235.09	+0.5	-	4.83	-	38.60	1229.01	1242.07	1234.87	992.83

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7	Year ago
FT-SE 100 SHARE INDEX‡	2561.6	+15.1	2569.2	2553.5	2546.5	2575.5	2554.9	2559.0	2538.0	2060.0

FIXED INTEREST

PRICE INDICES	Thu Nov 14	Day's change %	Wed Nov 13	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	122.10	+0.02	122.07	1.88	10.75
2 5-15 years (28)	135.54	+0.18	135.29	2.14	11.84
3 Over 15 years (8)	144.06	+0.40	143.49	2.13	11.50
4 Irredeemables (6)	157.05	+0.15	156.82	0.59	13.45
5 All stocks (69)	133.58	+0.15	133.38	2.06	11.60
Index-Linked					
6 Up to 5 years (2)	167.27	+0.07	167.15	0.45	3.16
7 Over 5 years (9)	149.66	+0.01	149.64	0.93	3.83
8 All stocks (11)	150.95	+0.02	150.92	0.86	3.81
9 Debs & Loans (60)	113.61	+0.06	113.55	1.90	9.62

AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 14	Wed Nov 13	Year ago (approx.)
British Government				
1 Low	5 years	8.45	8.44	10.27
2 Coupons	15 years	9.44	9.47	10.80
3 (0%-7¾%)	20 years	9.44	9.47	10.83
4 Medium	5 years	9.64	9.65	11.39
5 Coupons	15 years	9.54	9.58	11.28
6 (8%-10¾%)	20 years	9.51	9.55	11.23
7 High	5 years	9.85	9.86	11.51
8 Coupons	15 years	9.62	9.67	11.48
9 (11%-)	20 years	9.56	9.60	11.47
10 Irredeemables	†	9.66	9.67	11.02
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.79	3.80	3.68
12 Inflation rate 5%	Over 5 yrs.	4.23	4.23	4.22
13 Inflation rate 10%	Up to 5 yrs.	3.21	3.21	2.53
14 Inflation rate 10%	Over 5 yrs.	4.07	4.07	4.05
15 Debs &	5 years	11.28	11.33	13.38
16 Loans	15 years	11.12	11.14	12.87
17	25 years	10.95	10.95	12.50

‡Opening index 2558.6; 9 am 2557.1; 10 am 2561.1; 11 am 2562.4; Noon 2565.5; 1 pm 2565.5; 2 pm 2567.0; 2.30 pm 2569.1; 3 pm 2566.5; 4.10 pm 2564.5; (a) 2.31pm (b) 8.49am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	38	4	40
Corporations, Dominion and Foreign Bonds	6	0	14
Industrials	287	206	991
Financial and Properties	131	87	542
Oils	18	24	48
Plantations	0	0	10
Mines	27	17	108
Others	40	56	65
Totals	547	394	1,818

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
180	F.P.	-	200	188	Adam & Harvey	196		W10.0	5.9	6.8	3.3
-	F.P.	-	2½	2	Boite Mining Wrnts.	2½		-	-	-	-
‡	F.P.	-	110	83	Capital Ventures 1p	83		-	-	-	-
4	F.P.	-	9½	3	Culver 1p	4½	+½	-	-	-	-
100	F.P.	-	102	97	Drayton Recovery Trust	98		M7.8	-	10.6	-
25	F.P.	-	26	26	‡Dumas Group 10p	26		-	-	-	64.2
-	F.P.	-	23	18	Eng. & Scott. Wrnts.	20		-	-	-	-
‡	F.P.	-	130	121	European Motor 40p	122	+1	-	-	-	-
-	F.P.	-	320	213	Eurotunnel '91 Wrnts.	225		-	-	-	-
100p	F.P.	-	507	480	Fidelity Euro Values Units	480	-3	-	-	-	-
§235	F.P.	-	283	256	Frost Group	280		u2.0	0.9	1.0	12.0
100	F.P.	-	115	105	Gartmore Scotland Inc.	109		M11.6	-	14.2	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

- First Dealings: Nov. 4
- Last Dealings: Nov. 15
- Last Declarations: Feb. 6
- For settlement: Feb. 17

For rate indications see end of London Share Service

Calls in **McCarthy & Stone, Pelon, Ratners** and **Western Mining**. Puts in **Maxwell Comm.** Put and call in **Ratners**.

INTERNATIONAL PROPERTY

LEGAL NOTICES

TANDITE LTD
AND
In the matter of THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a Meeting of the Creditors of the above named company will be held at 28 Bolton Street, Mayfair, London W1Y 8HB on Friday 22 November 1991 at 11.00 for the purposes mentioned in Sections 99,100 & 101 of the said Act.

Pursuant to Section 98 (2) of the Act, lists of names and addresses of the company's creditors will be available for inspection, free of charge, at Harris Kafton, Chartered Accountants 28 Bolton Street, Mayfair, London W1Y 8HB between the hours of 10.00 & 17.00 on the two business days falling next before the day of the meeting.

DATED THIS 11 DAY OF NOVEMBER 1991

BY ORDER OF THE BOARD

KANG KOCK CHENG, DIRECTOR

LEGAL NOTICES

IN THE MATTER OF LONDON AND PACIFIC TRUST PLC AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 12th day of December 1991, to send in their full forenames and surname, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned.

Roger William Cork
Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

The Liquidation of the said Company, and, if so required by notice in writing from the said Liquidator(s), are personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 11th day of November 1991.

Signature of Liquidator(s)

R W Cork

This notice is purely formal. All known creditors have been, or will be, paid in full.

THE JAY GROUP LIMITED

JOINT ADMINISTRATIVE RECEIVERS APPOINTED 29.08.91

NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ on 28 November 1991 at 11:00 a.m. for the purpose of receiving a report prepared by the Joint Administrative Receivers and if thought fit to establish a committee ("the creditors committee") to exercise the functions conferred on it by or under the Insolvency Act 1986. Proxies to be used at the meeting must be lodged, together with any claim to be made by the creditor at the offices of the Joint Administrative Receivers, at Shelley House, 3 Noble Street, London EC2V 7DQ no later than 12 noon on 27 November 1991.

NOTICE IS HEREBY GIVEN, that creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting.

T R Harris
for the Joint Administrative Receivers

Date 11 November 1991

SBG HOLDINGS LIMITED

Registered No: 949047

Notice of resolution for payment out of capital for the acquisition of the company's own shares.

Notice is hereby given in accordance with section 175 of the Companies Act 1985 that:

1. The above named company has approved a payment out of capital for the purposes of acquiring its own shares by purchase.
2. The amounts of the permissible capital payment for the shares in question are US$78,065,847.50, DMK46,907,589.92 and SFR39,350,748.63.
3. The date of the resolution for payment out of capital is 11 November 1991.
4. The Statutory Declaration and auditors' report required by section 173 of the Companies Act 1985 are available for inspection at the registered office of the company.
5. Any creditor of the company may at any time within the five weeks immediately following the date of the resolution for payment out of capital, apply to the court under section 176 of the Companies Act 1985 for an Order prohibiting the payment.

By Order of the Board
R S PATTIMORE
Company Secretary

CLUBS

UK COMPANY NEWS

Boots rises 2.6% and sees patchy retail recovery

By Andrew Bolger

BOOTS, the retail and pharmaceutical group, said yesterday it was seeing some signs of recovery in the retail market, although it was very patchy.

Sir James Blyth, chief executive, said there had been a marked improvement in sales at Boots The Chemists in August and September, and this had been maintained in October.

He was confident that the group would have a reasonable Christmas, particularly if consumers went for low-ticket items. Boots The Chemists makes more than half its total trading profits in the 50-day festive shopping season.

The shares rose by 9p to 483p after the group reported a 2.6 per cent increase in pre-tax profits from £149.2m to £162.5m in the six months to September 30. Stripping out a £2.3m gain from property sales there was a 7.4 per cent gain.

Group turnover fell 2 per cent to £1.71bn (£1.75bn) but earnings per share rose by 2.7 per cent to 11.3p (11p). The interim dividend has been increased from 4.1p to 4.3p.

Boots The Chemists and the pharmaceuticals division both showed strong growth in profits, but the results also reflected the adverse impact of the group's £900m acquisition of the Ward White retailing conglomerate two years ago.

Halfords, the car parts chain, cut prices but could not buck the severely depressed market for cars and cycles. It showed a trading loss of £6.8m compared with a profit of £2.6m, although turnover rose from £140.4m to £148.7m.

Trading profits at AG Stanley, the paint and wallpaper business, fell from £5.9m to £4.2m on turnover of £56.5m, down from £58.9m.

Sales by Boots The Chemists rose 3.7 per cent to £1.13bn and trading profits increased 10 per cent to £97.2m. The group said information systems continued to play a very important role in increasing productivity and trading margins.

Trading profits at the pharmaceuticals division rose by 8 per cent to £67.2m on sales of £345.6m, up 10 per cent.

In line with new accounting standards, Boots declared its pre-tax profits figure after charging £4.3m (£4.4m) of interest on its convertible capital bonds.

● COMMENT

One analyst described Boots as the Marks and Spencer of the chemists, but said as a retailer it was suffering from all the woes of rest of the sector. The downside was certainly increased by the Ward White acquisition, but analysts have now started to focus on the recovery potential of the businesses which that expensive deal brought in. Full-year earnings are expected to be about £372m, which puts the shares on a prospective multiple of 17. That seems modest for such a solid cash generator, which will quickly benefit from any upturn in consumer spending.

Chancery bank rescue approved

Proposals for the rescue of Chancery, the bank which went into administration in February, were approved yesterday. As a result, the administrators, Mr Colin Bird and Mr Mark Homan of Price Waterhouse, will apply to the courts to end the administration.

Chancery should therefore be returned to its shareholders and directors. Mr Bird said: "We have shown that administration no longer needs to be seen as just another way of liquidating a company."

BT sale 'manipulation' ruling sought

By Hugo Dixon and Roland Rudd

INSTITUTIONAL investors have asked SG Warburg, the government's lead adviser, for a clear definition of what will constitute "market manipulation" in the run-up to the £6bn British Telecommunications share sale.

This follows warnings from the bank that those caught "manipulating" the share price will be penalised by being given fewer shares than they ask for in the flotation.

Government advisers, however, are deliberately keeping the definition vague on the grounds that institutions might find a way round precise guidelines and still artificially depress the share price.

The dispute between investors and the government over market manipulation, which has been smouldering for the past two weeks, has not been resolved by the publication of the pathfinder prospectus. This said investors would be favoured if they did not engage in market activity "considered to have been adverse" to the offer.

One institutional investor said the basis for judging manipulation was "distorted". Another complained that the advisers had not been able to give "a solid answer" on what it meant.

Government advisers yesterday made it clear that they were most concerned with activity in the options market. In the 1987 secondary BP sale dealers were seen to have deliberately depressed the share price by trading options.

However, they also said large share dealing could constitute market manipulation if, in their opinion, it was "clearly designed to depress the share price". The advisers believe there are many ways in which this could be done but are confident that they would be able to spot it.

Meanwhile, one investor claimed that advisers had informally steered him to expect BT to make pre-tax profits of £3.2bn in the current financial year and £3.5bn next year.

He said he had been told that certain analysts were predicting £3.2bn and that that was not a "terribly bad" forecast.

The advisers withdrew their profit forecasts last week following the publication of lower-than-expected profits and are not now allowed to issue new ones. Government advisers denied that any profit forecasts had been issued.

The road show to promote the offer began yesterday with a presentation to institutions in Edinburgh. One institution complained that the team led by Mr Iain Vallance, BT's chairman, "fended off too many questions" and that regulatory and political risks of investing were dealt with in an "off-hand manner".

Most big investors spoken to yesterday said they were likely to get involved in the sale but added that they were inclined to bid low because of the company's uncertain outlook. Several said they did not think they would take part.

Ashley Ashwood

Iain Vallance: under fire for his handling of the issue

600 Group warns of more job losses as it falls £2.3m into red

By Andrew Baxter

THE 600 GROUP, the machine tool and mechanical handling equipment combine, is cutting its interim dividend after suffering a loss before tax of £2.32m in the six months to September 30, against profits of £1.65m.

The loss was blamed on the recession which continued to affect most of the world's markets for capital goods. Turnover dropped from £72m to £50.6m, reflecting a 40 per cent fall in UK orders. The loss per share is 5.1p, against earnings of 2.5p.

Sir Jeffrey Benson, chairman, said there were small signs of confidence beginning to return, but saw little prospect of an improvement until later next year.

But the group would benefit from the £10.5m sale to Tesco of part of the Colchester site, which would go through in January, barring the unlikely possibility of legal objections. These funds, and the expectation that the "drive for improved profitability" would be successful, enabled the board to declare an interim dividend of 1p (1.5p).

Mr Colin Gaskell, managing director, said the workforce had fallen by 128 in the first half to 2,000, following cuts of 546 in 1990-91. But the group was "getting to the limits of what can be done by squeezing."

It was now considering combining some of its operations, which could lead to further heavy job cuts, but Mr Gaskell said it had to be sure that long-term savings would not be outweighed by short-term costs.

The group was also looking at designing products such as machine tools and then having them manufactured in low-cost countries.

● COMMENT

It may be nothing to do with laser technology or material handling, but £10.5m from a forthcoming property sale is a warming thought for a group whose half-year turnover has dipped to £50m. The money has clearly been a significant factor in the payment of a dividend – albeit reduced – which otherwise would scarcely have been justified. Investors in the group need to be patient as it operates in cyclical businesses, and will be encouraged to learn that things are not getting worse. An upturn in orders, as opposed to signs of confidence, is likely to be too late for this financial year, but the reduced cost base and new products allow a measure of confidence for later.

UK COMPANY NEWS

Wellcome leaps 28% to top £400m

By Paul Abrahams

Ashley Ashwood

John Robb (left) and Sir Alistair Frame, chairman, listen to a welcome set of results

WELLCOME, the UK drugs group, yesterday emphasised the continuing strength of the pharmaceuticals sector when it announced a 28 per cent increase in pre-tax profits for the year to August 31.

The rise, from £315.1m to £402.9m, was achieved through higher sales and lower costs, according to Mr John Robb, chief executive. He was particularly pleased by the improvement in margins which increased 3.4 points to 24.6 per cent.

Cost of sales rose from £375m to £394m, but fell as a proportion of sales from 25.5 to 24.5 per cent. Meanwhile, research and development investment increased from £221m to £230m, but also dropped as a proportion of sales from 15.1 to 14.3 per cent.

Meanwhile turnover, which grew 9 per cent from £1.47bn to £1.61bn, was subdued by the weakness of the dollar. Sales in North America increased 10 per cent from £661m to £729m.

The rise, an increase of 17 per cent in local currency terms, was achieved in spite of Wellcome's withdrawal of its Sudafed decongestant during March after someone put cyanide in the product. The company said the gross cost of the coast-to-coast withdrawal had been $17m (£9.8m), excluding lost sales. It said it was now selling more Sudafed than before the incident.

European continental sales grew from £441m to £494m, a 17 per cent increase at constant exchange rates. Turnover in the international region rose from £243m to £259m, but was affected by the Gulf war. In Japan, sales increased 23 per cent to exceed £100m for the first time.

The prescription medicine business grew 18 per cent in local currencies, in spite of the 1990-91 trading year having 52 weeks compared with 53 weeks for the previous year. The consumer division's turnover increased from £203m to £207m on an adjusted basis.

Sales of Zovirax, Wellcome's best-selling herpes product, expanded 26 per cent to £471m. Promotional alliances with Sumitomo in Japan and Hoescht in Germany helped create an increase in sales of 33 per cent for the second half of the year, compared with 18 per cent for the first.

Retrovir (AZT), the anti-Aids drug, recovered in the second half to achieve sales for the year of £177m. The company said the rate of increase in prescriptions was slowing, but that it hoped there had been a *stabilisation in dosing levels in* the US. Some patients had been taking lower than recommended doses. The company would now be encouraging increasing numbers of patients with HIV to take the drug before they developed Aids.

Two notes of caution were sounded by Mr John Precious, group finance director. He warned that a further deterioration in the dollar would affect profits and that the full benefits of the disposals programme would not be felt until after 1992.

Earnings per share for the year increased 29 per cent to 29.3p (22.7p). The final dividend is 7p for a total of 10p (6.5p).

See Lex

Ralph Ingersoll to expand in Europe

By Raymond Snoddy

MR RALPH INGERSOLL, the publisher plans to expand into specialist publications in the UK and in continental Europe following the sale yesterday of the Birmingham Post and Mail group to its management for £125m. The deal put together by Candover Investments is believed to be the largest management buy-out in the British *newspaper industry.*

The sale will pay off all the debt of Ingersoll Publications and leave a substantial amount – believed to be in the region of £30m – for future expansion.

Mr Ingersoll who bought Birmingham Post in 1988 from the Iliffe family for some £70m and invested £20m in modernisation believes the future of publishing lies with " need to know rather than interesting to know information."

He will be looking at a wide range of specialist publications *including newsletters, special*ist publications such as medical magazines and tightly targetted local newspapers.

Ingersoll Publications will keep in 50 per cent stake in the Irish Press group in Dublin and will keep a 5 per cent stake in the Post and Mail and be a non-executive director.

Sir Norman Fowler,the former cabinet minister and MP for Sutton Coldfield will be non-executive chairman of the Birmingham Post and Mail group which also publishes the Sunday Mercury, Coventry *Evening Telegraph and a num*ber of weeklies.

Mr Chris Oakley, managing director and editor-in-chief will become chief executive.

Candover said yesterday that equity funding was being provided in equal proportions by institutions investing through the Candover 1989 Fund and by CINVen. Senior debt is being provided by a consortium led by the Bank of Scotland and mezzanine finance by Intermediate Capital Group.

The newspaper group had a turnover of £75m in 1990 and is *budgeting for a small profit* next year. The new owners believe that they have bought in the depths of the recession and should be moving into an economic upswing.

Banks call in loans to George Walker

By Robert Peston

SIX BIG international banks yesterday agreed to take the vital first step prior to initiating bankruptcy proceedings against Mr George Walker, founder of Brent Walker, the leisure group.

The banks, understood to include Credit Suisse, TSB Group, Svenska Handelsbank, Standard Chartered and Lloyds, decided yesterday morning to send letters to Mr Walker demanding immediate repayment of £60m in loans to him and his family's trusts.

At least one bank has already sent its letter. In other cases, the letters will go today. "It is the final showdown", commented a banker, adding: "Formal bankruptcy proceedings against Mr Walker and his trusts are likely to start within a fortnight."

However, Ms Denise Kingsmill of DJ Freeman, Mr Walker's solicitor, said that he would strongly resist attempts to bankrupt him. "No-one should underestimate his courage and energy."

Brent Walker's board was meeting last night at the offices of Simmons & Simmons, the company's solicitors. At the meeting, Mr Walker presented proposals to avoid bankruptcy proceedings *being launched.*

He is suing the company for wrongful dismissal and is also claiming other substantial sums. Ms Kingsmill said: "He is proposing that the banks provide money to the company so that they can settle Mr Walker's claims on them and he will then pass the money back to the banks".

The banks have decided to pursue Mr Walker now because they fear that he may not support proposals to refinance Brent Walker. He and his family control 27 per cent of Brent Walker's shares. The reconstruction will only take place if 75 per cent of shareholders vote in favour.

The main purpose of last night's board meeting was to *give formal approval to the* reconstruction proposals, so that they could be sent to the holders of its bonds, its convertible preference shares and its ordinary shares.

Refining and marketing help Royal Dutch/Shell rise 9%

By Deborah Hargreaves

A STRONG operating performance at Royal Dutch/Shell, the Anglo-Dutch oil group, boosted profits by 9 per cent in the third quarter when its oil output topped 2m barrels a day (b/d) for the first time in about 10 years.

Income reached £523m for the third quarter when the effects of stock gains and losses were stripped out, against £480m in the same period last year. But large stock gains made in the third quarter of last year meant that historical cost profits dropped 48 per cent to £569m (£1.09bn).

Shell bucked the trend in the oil industry when it reported sharply higher profits for its refining and marketing operations and maintained the performance of its chemicals division which remained in profit, in spite of a gloomy industry background.

"Shell's financial position has not deteriorated in the face of a recession and one of the most difficult years for the oil industry for a long time, which underlines the strength of the company," said Mr Nick Clayton, analyst at Smith New Court. The company's gearing remains at 6 per cent against an industry average of at least 40 per cent.

Earnings from the company's exploration and production division dropped by 25 per cent in the third quarter to £316m as crude oil prices traded at half last year's levels. Shell said it expects crude output to rise above 2m b/d in the fourth quarter when profits will benefit from recent price rises and the seasonal increase in gas sales.

Refining and marketing profits increased to £317m from £110m in the same quarter last year, when stock gains and losses are excluded. The rise in income reflects Shell's strong presence in the growing Far East markets as well as its marketing edge.

Chemicals showed a profit of £17m which was down sharply from £116m in the same period last year, but which showed little slippage from the second quarter. Petrochemicals prices remain low and the market continues to be affected by the recession and over-capacity.

For the nine months, Shell's earnings rose by 17 per cent to £2.4bn up from £2.05bn in the same period last year.

● COMMENT

Shell has shown the strength in its downstream operations by continuing to report an increase in earnings while the rest of the industry has seen its product margins squeezed. At the same time, the company has managed to keep its chemicals division out of the red by stringent cost-cutting. Shareholders, who are hoping to see a *short-term increase* in dividends from the £5.2bn cash pile on which the company is sitting, could be disappointed. Shell is embarking on an aggressive capital expenditure programme over the next five years to keep oil and gas output rising rapidly. This will ensure steady long-term returns for investors in a company with such a solid financial base.

Third quarter profit at Ultramar

By Deborah Hargreaves and Andrew Freeman

ULTRAMAR, the diversified oil and gas company fighting a £1.15bn hostile takeover bid *from oil exploration company* Lasmo, returned to the black in the third quarter with net profits of £16m, but failed to pull itself out of losses of £9.4m for the first nine months.

A year earlier it made £45.1m for the quarter and £78.4m for the first nine months. Ultramar saw its refining operations continue to be depressed by the North American recession.

Mr Jean Gaulin, chief executive, said: "At least we are not seeing the recession in the downstream side getting deeper and we are entering the heating season when consumption should pick up."

Mr Gaulin called the prospects for next year "encouraging," and said "in due course" the company would issue a *profit forecast for the year and* a more detailed outlook for 1992 as part of its defence.

Record shipments of Liquid Natural Gas from Ultramar's Indonesian plant led to an increase in profit from the upstream operations to £17.5m (£10.2m) in the third quarter.

Oil production was up 11 per cent for the first nine months at 118,700 barrels of oil equivalent a day.

The downstream operations returned to profits of £16.6m in the third quarter after a first-half loss, and compared with £52.7m in the corresponding 1990 period. Sales were up 19 per cent from Ultramar's Canadian operations and stable for its refinery in California.

The company's gearing remained high at 86 per cent. Earnings dropped to 4.3p (12.2p) in the third quarter and for the nine months showed losses of 2.5p (earnings 21.2p).

Ultramar said its third-quarter profit included stock holding gains of £3.3m which, if stripped out, meant a profit of *£12.7m for the quarter com*pared with £26.4m.

● COMMENT

It will help Ultramar's case against the hostile bid from Lasmo that it has managed a timely return to profit, just as it helped that three senior *managers resigned during the* third quarter. But the group may not be around to report full-year figures, so in that sense the actual numbers reported yesterday have little relevance.

Ultramar wants to concentrate on the future, Lasmo or a rival bidder will inevitably point to the failures of the recent past. Taking Ultramar's perspective, next year's performance will depend heavily on the strength of economic recovery in the US. It remains a matter of debate whether the disastrous first half in 1991 was the result of unique circumstances for the downstream operations.

Long-suffering shareholders will not be blamed if they *prove disinclined to take the* incumbent management at its word.

The question is still whether anyone will offer them enough for their shares.

Powell Duffryn falls 43% to £6.9m

By Bronwen Maddox

POWELL DUFFRYN, the distribution, storage and engineering group, yesterday announced a 43 per cent fall in interim pre-tax profits from £12.1m to £6.89m as the downturn in the construction and transport sectors hit its engineering division.

At the same time the group revealed that it would receive £30m from the dissolution of its joint venture with Hanson in South Wales Quarries, as it concentrates on distribution and engineering.

Although group turnover in the six months to September 30 fell by only 1 per cent to £355.4m (£358.9m), trading profits fell by 30 per cent to £11.8m (£16.8m).

The main cause was engineering, which saw a 42 per cent fall in trading profits to £4.86m (£8.35m), partly because of a £1.9m trading loss in railway freight wagon and bogie manufacturing.

Distribution and storage showed a 20 per cent fall in profits to £5.44m (£6.78m) on "muted levels" of trading in the UK, while the Australian recession and Chicago tornado damage affected overseas revenues from the bulk liquid storage operations.

Profits from construction – the quarries joint venture and brickmaking – were almost maintained at £1.49m (£1.62m). The group announced last month that it was ending the joint venture with Hanson's ARC, retaining only the brickmaking business, which made a trading loss of £700,000 in the year to March 1991, on turnover of £6.5m.

Net interest charged in the six months rose to £4.89m (£4.67m). Net debt at the end of last year was about £60m, representing gearing of about 45 per cent.

The sale of the quarry interests produced an extraordinary profit of £19.3m (nil) and will cut net debt to about £30m and gearing of about 25 per cent on a pro forma basis.

David Hubbard: evidence of end of recession is slight

Earnings per share of 6.9p (12.8p) continued to cover the maintained interim dividend of 6.6p.

Mr David Hubbard, chairman, said that tangible evidence of the end of the UK recession "remains slight". However he found considerable encouragement for the rail transport business in last week's Autumn Statement and the plans for a "substantial increase" in British Rail's investment in passenger and freight stock.

● COMMENT

Not known for public ebullience, Powell Duffryn sounds more optimistic than it has for some time. The market is clearly hoping that the prediction of more transport infrastructure spending will soon convert into contracts. Unless the UK enjoys a Mediterranean winter and the group's fuel distribution profits consequently suffer, full-year pre-tax profits of £22.4m (£28.9m) look achieveable. On earnings of 23.9p (27.8p), the prospective p/e of 12.3 looks good value.

Tie Rack interim losses rise

By Richard Gourlay

TIE RACK, the specialist tie, scarf and accessories retailer, yesterday reported an increased interim loss following a decline in sales at airport shops and in central London during the Gulf war.

Pre-tax losses in the 28 weeks to August 18 rose from £674,000 to £972,000 on sales marginally lower at £21.49m.

Loss per share rose from 0.95p to 1.75p on capital enlarged by the June rights issue. The interim dividend is again passed but the group hopes to pay a final of 0.5p.

Mr Nigel McGinley, chief executive, said the group had convinced the inland revenue that its US operation, which had not made a profit since it was launched in 1986, was domiciled for tax purposes in the UK. That decision would reduce the full-year tax rate and would also lead to a tax credit related to previous years.

Debt at the half year fell from £12m to £4m, after the £3m rights issue proceeds, as the group took a tighter control of inventory and cash. The interest charge fell from about £800,000 to £500,000 in the period.

The group closed 16 franchises but faced no additional exposure to bad debts that was not covered by last year's £400,000 provision.

About half the period's losses came from the US operation but closure of the Pennsylvania office and a warehouse operation meant Tie Rack was on course for break-even "in a year or two", Mr McGinley said.

Tie Rack has 10 airport outlets and 30 shops in central London which were badly hit when air travel and tourism collapsed during the Gulf war.

CE Heath advances 21% helped by European growth

By Richard Lapper

BUOYED BY strong growth in its European wholesale broking business, CE Heath, the insurance group, yesterday reported a 21 per cent increase in pre-tax profits to £12.3m in the six months to September 30.

Revenue from insurance brokerage increased by 45 per cent to £46.1m, reflecting the impact of business generated by the British & Commonwealth insurance subsidiary acquired last year.

Excluding the acquisition, brokerage revenues grew by 12 per cent while on the same basis expenses increased by less than 9 per cent. Broking profits rose by 22 per cent to £6.2m.

Despite losses at the Australian underwriting subsidiary of £1.4m, underwriting as a whole posted a pre-tax profit of £6.94m, a rise of 6 per cent.

The group's computer service division also did well with revnues of £18.7m (£16.6m) and profits of £2.1m (£1.53m).

Despite the positive picture on the earnings front, earnings per share rose by just 3 per cent to 12.1p, largely reflecting the impact of the group's mid-year rights issue which raised £47.5m. The interim dividend is maintained at 7.5p.

Broking was buoyed by a particularly strong performance from Heath's London market operation, which benefited from increased business volume particularly from Europe.

Mr John Mackenzie Green, group managing director, said Heath was benefiting from being the biggest independent wholesale broker in London and was attracting European business retail brokers.

The group can also expect to be helped by the hardening in insurance rates in the marine, aviation and re-insurance market, although the impact may not be fully apparent until the group reports its full year results in March next year.

Heath will reduce its debt by using £20m of the £36.5m, after expenses, from the sale of Pinnacle Reinsurance, its financial reinsurance subsidiary. That, together with repayments following the rights issue in June, will reduce gearing to less than 30 per cent.

The group has about £40m available for fund expansion plans. It says it plans to focus on relatively small businesses in Europe and North America.

Staveley Industries tumbles 18% to £9m

By Roland Rudd

STAVELEY Industries, the minerals, measurement and mechanical and electrical services group, yesterday reported an 18 per cent fall in pre-tax profits, from £11m to £9m for the six months ended October 5.

Mr Brian Kent, chairman, said the results were badly affected by the £10m fall in sales at mechanical and electrical services and the deepening effects of the recession. Overall sales fell from £162.8m to £147.3m.

However, Mr Kent said he was confident that the second half would improve as orders were up by 13 per cent to £158m.

About £1m of costs have been taken out of Weigh-Tronix, its US subsidiary. Mr Kent said the management structure had been "decimated" with 20 of the 30 senior posts axed.

Staveley used part of the proceeds from its £27.4m rights issue last June, to buy the outstanding 43 per cent of Weigh-Tronix, valued at about $23m (£13.5m) under the terms.

Bradley & Foster, the chrome iron factory with annual sales of £9m was sold this month for £3.2m.

Net interest charges fell from £1.3m to £700,000 as the debt almost halved over the year, with borrowings falling from £35m to £20m, representing 20 per cent of shareholders' funds.

Although earnings per share fell to 6.3p compared with a restated 8p to the company had decided to maintain the interim dividend at 2.3p per share.

Interest received and rents buoy MJ Gleeson

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of MJ Gleeson, the Surrey-based construction, housebuilding and property group, rose by £178,000 to £11.85m in the 12 months to the end of June.

Turnover increased by a fifth to £199.3m. Gleeson increased its final dividend by 10 per cent to 8.74p making a total of 11.86p (10.77p). Earnings per share were 75.49p (74.92p).

Trading profits from construction and housebuilding fell by 29 per cent from £8.02m to £5.66m. Rents from commercial property and interest received on the group's healthy cash balance, however, rose by more than two thirds from £3.65m to £6.19m.

At the end of 1989/90 the group had net cash of £10.7m. This is thought to have increased in the year to June 30 in spite of the group's purchase of Colroy, a housebuilder, for £16.5m last December.

The cash position is expected to worsen this year as the group moves to replenish its land bank in southern England. Contracting is also likely to be under pressure as a result of the recession in the commercial property sector.

Property rents received by Gleeson are expected to increase as a result of reviews falling due and new buildings coming on stream.

HMC surges to £2.54m

By David Barchard

HOUSEHOLD Mortgage Corporation, the mortgage company, yesterday defied the gloom on the housing market to report a sharp increase in profits during the half-year to September 30.

Pre-tax profits soared to £2.54m from £704,000 last time. The result comes a few days after National Home Loans, once HMC's main competitor, posted a £47.9m loss for the year after making bad debt provisions of £88.7m.

HMC yesterday declined to give an indication of its loan loss provisions, beyond saying that they were reflected in the rise in its operating costs.

Mr Duncan Young, chief executive, said: "The key to our success in the first half of this year has been the careful management of the mortgages we already have."

He admitted that the increased profitability of the company derived partly from the purchase of several large mortgage portfolios from other lenders withdrawing from the market. These have doubled the size of the HMC's portfolio in the past year.

HMC's shares are not at present traded on the stock exchange but the company hopes for a flotation at some point.

Group assets have grown from £1.51bn a year to £2.06bn, and the mortgage book is up from £1.38bn to £1.8bn. Net interest receivable rose from £5.84m last time to £8.89m, while other operating income was up from £1.78m to £4.92m. Operating expenses increased from £6.92m to £11.26m.

Improved trading at Cater Allen

Cater Allen Holdings, the discount house and financial services group, said yesterday that profits were slightly up in the half year to October 31.

Describing its overall profits as good, the group stated that its core money market and securities trading operations had produced an improved result but stock lending and offshore activities were a little down, though they had made a significant contribution.

Financial futures and the Lloyd's businesses were said to have made no relevant contribution in the first half and were likely to be flat for the year. In August Cater Allen merged two of its marine syndicates at Lloyd's; it also pulled out of gilt-edged market-making in April.

The interim dividend is again 6p.

US move helps Hartstone to leap over £8m midway

By Peggy Hollinger

A MOVE into the US helped Hartstone, the acquisitive leather and hosiery group, to more than trebled pre-tax profits in the six months to September 30 rising from £2.3m to £8.2m.

However, Mr David Gratton, finance director, said the group had achieved considerable organic growth with sales ahead 6 per cent in the European leather goods division and 13 per cent in hosiery.

Even the US businesses – acquired in March for £69m – were 35 per cent ahead of their return last year, he said. North American leather goods, the largest part of the business with about 58 per cent of turnover, had contributed £6.4m to operating profits of £9.3m (£2.5m).

Shares, which have risen from 186p on the eve of the US acquisitions, closed yesterday 4p up at 312p.

Group sales soared from £25.4m to £92.8m. The biggest advances came from Triad, the UK leather goods business, which increased sales by 38 per cent despite a severely depressed British leather market and Michael Stevens in the US, which had "outperformed all expectations."

Pamplemousse, the casualwear division, had been disappointing with volumes "materially" down on last year. The business had made a small profit and steps had been taken to cut overheads.

Hartstone – which has acquired 21 companies since 1989 – planned to continue its growth through acquisitions and was looking at opportunities in continental Europe

Gearing is at a seasonal peak of 67 per cent but is expected to fall back to about 30 per cent by the year end.

The dividend was increased from 1.25p to 1.88p out of earnings per share of 8.1p (5.2p).

First half rise from Rexmore

Rexmore, the wholesale textile and timber group, lifted its pre-tax profit from £524,000 to £639,000 in the half year ended September 28 1991.

Turnover improved from £20.7m to £22.7m and included £2.9m from the acquisitions of Nationwood and Frank Preston Textiles.

Traditionally, the second half was the busier and the directors anticipated that would be reflected in the year's results.

In September the group received £2.8m from the sale of its interest in Rosebys. That had been applied to reduce borrowings and the second half would show lower interest charges.

Albert H Letheren, the timber merchanting business, had been reconstituted through the sale of H Chattell and closure of B Dutch, and turnover fell to £2.4m (£4.1m). The loss had been reduced but a profit was not expected until there was an upturn in the fortunes of building industry.

First half earnings per share came to 2.69p (2.01p) and the interim dividend is again 0.7p.

Drayton Korea Trust raising £23m

By Philip Coggan, Personal Finance Editor

Drayton Korea Investment Trust is raising £23m in a sub-underwritten offer, of which 25 per cent is being offered to the public.

The trust will aim for capital growth by investing in South Korean companies and plans to take advantage of the relaxation of restrictions on foreign investment, which is due to take place in January. The fund managers will be Invesco MIM.

Around 5.75m shares are being offered to the public at £1 each, with warrants attached on a one-for-five basis. The minimum application is £1,000 and the offer closes on November 26.

Dealings are expected to start on December 3.

Shires Investment assets growth

At September 30, net asset value of Shires Investment had risen to 250.94p.

That compared with 242.5p six months' earlier and with 206.83p at September 30 1990.

In the half year gross revenue came to £4.16m (£4.08m) and earnings per share were slightly down at 9.59p (9.86p). A second interim dividend of 4.2p is declared, making 8.3p (7.9p) to date.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Associated Farmers, Explaura Hldgs, Hoskins Brewery, RPH, Save & Prosper Return of Assets Inv. Trust, Somic, Wilshaw.

Finals- British Empire Sec. & Gen. Trust, Clyde Blowers.

FUTURE DATES

Interims-	
Control Techniques	Dec. 2
Danka Business Systems	Nov. 18
First Spanish Inv. Trust	Jan. 10
Foreign & Col. German Inv	Nov. 22
Lyons Irish	Dec. 2
Premier Cons Oilfields	Nov. 28
Security Archives	Dec. 11
Unit Group	Dec. 9
Worth Inv. Trust	Nov. 22
Finals-	
Blick	Dec. 11
MEPC	Nov. 28

Correction

Land Securities

Land Securities, the property company, increased its pre-tax profits from £102.7m to £111.8m, for the six months to September 1991. The figure of £161m (£141.7m) reported yesterday referred to profits before tax and interest.

UK COMPANY NEWS

Change in accounting policies adds £142m debt to the balance sheet

Burton declines sharply to £11.2m

By John Thornhill

BURTON GROUP, the clothing retailer, yesterday unveiled a collapse in pre-tax profits along with a substantial change in its accounting policies.

In the year to August 31, Burton saw pre-tax profits fall from £146.1m to £11.2m, which was much in line with the forecast made at the time of its £161m rights issue in June.

However, the company then swallowed £24.6m in exceptional reorganisation costs and a further extraordinary charge of £152m relating to write-offs associated with its decision to withdraw from property development activities. The total loss for the period amounted to £165.4m.

The company said sales had shown a significant improvement in the past six weeks with sales marginally up on last year's levels. But it added "it is too early to say whether a sustainable positive trend has been established".

Mr Richard North, the finance director who joined the company earlier this year, introduced several significant changes in accounting policy.

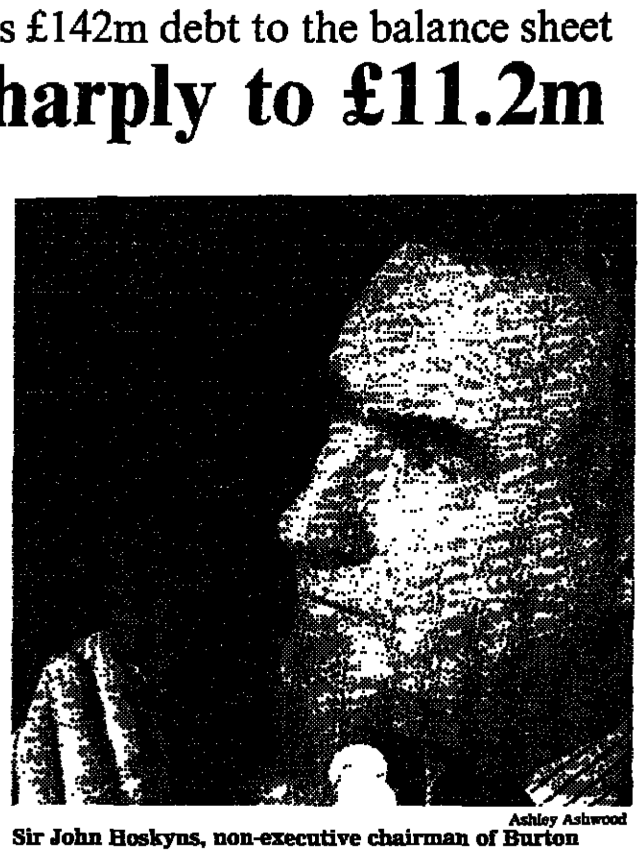
Burton consolidated its High Street Property Investments arm – previously treated as an associated undertaking – adding £80m debt to the balance sheet.

It also reclassified the redeemable preference shares in Debenhams as borrowings instead of a minority interest and changed the treatment of its sale and leaseback obligations adding a total of £82m to stated debt.

The net effect of these changes was to return £188m of property assets to the balance sheet and increase debt from £166m to £308m. Following the company's rights issue and a sharp reduction in working capital requirements, the gearing level fell to 43 per cent (62 per cent).

In the past, Burton had been heavily censured for its accounting practices. Mr Mark Husson, retail analyst at Warburg Securities, welcomed the new policy. "*It has helped exorcise some of the ghosts of the past*," he said.

The board has recommended a final dividend of 1p bringing the total pay-out to 2.7p (5.2p). Losses per share amounted to 2p (15p earnings).



Ashley Ashwood

Sir John Hoskyns, non-executive chairman of Burton

● COMMENT

Burton yesterday paraded its latest fashion offering: a hair shirt. The company has clearly decided that suffering is good for the soul and Mr North applied several doses of pain to the balance sheet which were not strictly required. The change in accounting practices was rewarded by admiring comments from analysts and a subsequent 4½p rise in the share price to 44½p. But where this now leaves Burton is difficult to judge. Not the least of the problems is how much faith can still be placed in the historical levels of margins that Burton once appeared to achieve. Because of its high level of operational gearing, Burton's profitability in the current year will be closely tied to the strength of recovery in consumer confidence; small fluctuations in volume sales will have a disproportionate effect on the bottom line. Analysts have tentatively pencilled in £30m pre-tax profits offering a prospective multiple of 16. This makes investing in Burton a finely-balanced risk-reward scenario. Those who believe the Chancellor's rhetoric should stock up on Burton shares. The sceptics may demur.

London & Metropolitan reduces interim losses

By Richard Gourlay

LONDON & Metropolitan, the troubled property company rescued by its bankers early this year, yesterday reported reduced interim losses but made further write-downs on its property portfolio.

Pre-tax losses fell from £88.84m in the half year to June to £14.96m on sales that doubled to £15.8m.

Losses per share fell from 153.8p a share - inflated because of the £84m write-off to the value of investment and development properties - to 26p a share. The company said shareholders should not expect a dividend for the foreseeable future.

Mr John Aiton, the finance director, said that despite further write-downs of about £7m and the depressed state of the property market, lettings and sales were broadly in line with cash flow targets agreed with its bankers.

He said London & Metropolitan continued to enjoy the support of its bankers who agreed in February to extend the secured element of their facilities until June 1992.

Debt over the period had fallen from £120m at year end to about £110. Interest rose from £1.14m to £4.62m.

● COMMENT

There is a lot to be said for property companies playing for time when faced with a market *as dreadful as today's*. The banks' refinancing of London & Metropolitan's debt in February allowed the company to do just that. But it was also a fair bet for the banks; L & M's own management was bound to garner more value from properties then unlet and unfinished than expensive receivers. The question remains, however, whether the banks will take the same view next June. L & M's assets remain worth less than its liabilities and property write-downs are continuing. Even if the Pont Royal golf *development contains hidden* value not represented in the balance sheet, time must one day run out for L & M. On the other hand what do the banks have to lose by continuing their novel form of bad loan workout?

DIVIDENDS ANNOUNCED

Bank of Ireland	int	3.33♣	Dec 13	3.33*	-	9.17*
BOC	int	11☆	Feb 3	10.2	-	20.4
Bogod	int	0.1	Feb 3	0.1	-	0.32
Boots	int	4.3	Feb 6	4.1	-	11.6
Bristol Eve Post	int	3.75	Jan 31	3.75	-	11.5
Burton	fin	1†	Feb 14	3	3	6
Cater Allen	int	6	Jan 3	6	-	25
Euromoney	fin	16	-	12	22.5	18.5
Five Oaks Invest	fin	nil	-	1	nil	1
Gleeson (MJ)	fin	8.74	Jan 23	7.94	11.86	10.77
Hartstone	int	1.875†☆	Jan 10	1.25	-	3.25
Heath (CE)	int	7.5†	Jan 9	7.5	-	25.875
Honeysuckle Gp §	fin	1	-	nil	1	nil
McLeod Russell	fin	3.1	Jan 7	3.05	5.85	5.8
P'mouth Sund	int	2.73	Dec 27	2.6	-	8.24
Powell Duffryn	int	6.6	Jan 3	6.6	-	22.6
Rexmore	int	0.7	Jan 24	0.7	-	2.25
Shires Invest	*int*	*4.2*	*Jan 31*	*7.9*	-	*17.8*
600 Group	int	1	Jan 13	1.5	-	2.5
Staveley Inds	int	2.3†	Jan 6	2.3	-	8.2
Wellcome	fin	7	Jan 30	5	10	6.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency. ☆Carries scrip option.

Regional publishers suffer sharp decline

By Peggy Hollinger

A SHARP decline in advertising revenue has hit interim profits at regional publishers, Portsmouth & Sunderland Newspapers, and the Bristol Evening Post.

P&S yesterday announced a 17 per cent decline in pre-tax profits to £2.6m on turnover up from £43.3m to £48m.

The result was partly buoyed by the inclusion of Northern Press Group, bought for £6.8m in June. Mr Charles Brims, chief executive, said *that "given the state of the market, we have done pretty well to be down just 17 per cent"*. He blamed a swing in interest, from £440,000 receivable to a £100,000 charge, for the decline.

Mr Brims said the group's geographical spread had helped soften the blow of weaker advertising revenues, which had fallen by 8.3 per cent on average and most sharply in the south of England.

During the 26 weeks to September 28, P&S closed four paid-for titles, taking an extraordinary charge of £408,000. However, profit on the sale of Reuters shares left a net extraordinary gain of £350,000.

The contract printing and retailing businesses had *performed exceptionally well*, with sales increases of 31 per cent and 21 per cent respectively.

Earnings per share fell to 14p (18p). The interim dividend was raised to 2.73p (2.6p).

The Bristol Evening Post, which has an unwelcome 10 per cent shareholder in Mr David Sullivan, publisher of the Sunday Sport, has announced a 35 per cent fall in pre-tax profits to £1.96m for the six months to September 30.

Advertising revenue fell by £1.5m, a decline of 5.5 per cent. Mr Michael Gay, managing director, said BEP also took the hardest hit in employment advertising, which was down 46 per cent, on the previous year.

However the directors decided to maintain the interim dividend at 3.75p. Earnings per share fell from 7.9p to 6.04p.

BEP's retail business, a chain of 84 newsagents/confectionery shops, had a difficult first half and Mr Gay said several closures were planned. "We may well come down to a core of 50 or 60," he said.

Brent Chem German buy

Brent Chemicals International, the speciality chemicals group is acquiring a majority stake in Hebro, a German company which supplies speciality maintenance chemicals, for DM29.45m (£10.2m).

In order to fund the acquisition the group is raising £15.6m net of expenses in a one-for-four rights issue. The rights issue of 13.48m new ordinary shares is priced at 120p per share against a closing price yesterday of 147p, down 3p.

Mr Steve Cuthbert, chief executive, said that the acquisition of Hebro would strengthen the group's presence in the industrial systems market *in Germany*.

Hebro supplies mainly medium-sized industrial customers in Germany and has a 5 per cent share of the market.

Last year, Hebro made pretax profits of DM3.2m excluding exceptional items, on turnover of DM19.6m.

Brent retains an option to purchase the balance of Hebro for DM11.6m.

Eastern and Southern Electric retail merger

By Bronwen Maddox

EASTERN Electricity and Southern Electric, the two largest regional electricity companies, yesterday agreed in principle to merge their retailing and appliance servicing businesses in a 50:50 joint venture.

Discussions originally included the London, Southwestern and Seaboard regional companies too.

Analysts expect the move, the first retailing merger among regional electricity companies, to be followed by more consolidation of *appliance retailing*.

The merger has also prompted questions about whether the companies' main business of electricity distribution could eventually be merged if regulation permitted.

Mr Nigel Hawkins, utilities analyst at stockbrokers Hoare Govett, said "it's a good move, and an obvious one given the overlap and potential savings, but retailing is only a small proportion of their businesses".

Last year retailing contributed around 5 per cent of Eastern's turnover of £1.7bn and Southern's turnover of around £1.5bn, and managed to break even for each.

Mr Duncan Ross, chairman of Southern Electric, said "Retailing is an important, non-regulated activity which we see as making a growing contribution to profits".

The new company, which will begin trading in April 1992, will have about 230 retail outlets across the south and east of the UK.

The companies expect to appoint "a senior retailer" as chief executive within a few weeks, and a finance director, also from outside the two businesses.

Eastern Electricity is injecting businesses with a turnover of £100m in the year to March 1991, and Southern Electric injecting turnover of £72m.

Southern will pay an undisclosed "financial compensation" to Eastern to "equalise the contributions".

Cuts in head office administration are expected to bring cost savings of around £5m.

The companies will eventually draw dividends from the joint venture although Mr Waring, managing director of Eastern, said "we have to be realistic – it will not be in the first year".

He added "We are obviously looking to expand retailing further – that could mean links with other electricity companies, or it could just mean trying to increase our share of brown goods sales".

Mr Hawkins said "the two are among the strongest retailers, along with Norweb in the north, and it would not be surprising if they wanted to take on the retailing of some of the less strong companies."

The retailing merger, which does not need regulatory approval, has raised questions about whether regional electricity companies would seek a merger of their electricity distribution businesses if regulation permitted.

Until March 1995 the government retains a golden share in each company, which analysts believe is likely to prevent distribution mergers at least until then.

Mr Waring said "we are not talking about distribution mergers yet. Nothing should be deduced from this."

See Lex

Irish core and cut UK losses help Bank of Ireland up 82%

By David Barchard

A STRONG performance by its Irish core business operations and a reduced deficit from its UK activities helped Bank of Ireland Group push its pre-tax profits up by 82 per cent in the six months to September 30 1991.

Pre-tax profits were I£38.6m (£35.3m sterling), up from I£21.2m last time. Provisions on loan losses totalled I£70.4m, down from I£81.2m a year ago.

Mr Maurice Keane, group deputy chief executive, said that Bank of Ireland was very pleased with its domestic business and felt that it had dealt with most of its problems in the UK.

"*There has been a general* battening down of the hatches, and sorting out our US subsidiaries is a very high priority now," Mr Keane said.

Total assets were almost unchanged at I£14.53bn (I£14.5bn), while total income was up 3.6 per cent from I£328.9m to I£340.8m.

Total costs were up 2.9 per cent from I£234.6m to I£241.3m, principally from increased employee costs.

Mr Keane said the Irish retail division had performed well, with profits up 9 per cent to I£61.4m (I£56.2m), though there was a sharp increase in provisions to I£17m. ICS Building Society, a group subsidiary, had increased its profits by 80 per cent and there was a strong profit increase of 20 per cent in Northern Ireland.

In the UK, Bank of Ireland made a reduced loss of I£10.1m, down from I£17m in September last year. Loan loss provisions were down from I£20m last time to I£9m.

The group said its loan losses have been *reduced as a* result of improved credit management procedures and the instalment credit book of British Credit Trust has been run down.

First New Hampshire Banks, the group's US subsidiary, reported an increased deficit of I£35.1m, up from I£32m in the corresponding period, after provisions of I£34m.

"The basic business has not improved and will require some help from an economic upturn to bring satisfactory results," Mr Keane said.

Bank of Ireland expanded its New Hampshire operations during the half-year by buying Amoskeag Bank Shares and BankEast Corporation.

The bank's net interest margin was 4 per cent (4.1 per cent), while the cost/income ratio was unchanged at 64 per cent.

"Our medium-term objective is to get the cost/income ratio down below 60 per cent," Mr Keane said.

Tier 1 capital was 6.6 per *cent, up from 6.3 per cent a* year ago, but will fall back to 6.3 per cent as a result of the New Hampshire acquisitions. The total capital ratio is 12.1 per cent, up from 11.2 per cent.

Earnings per share were 5.3p (3.5p). The interim dividend was maintained at 3.33p.

The bank's share price closed at 149p, up 6p on the day.

NEWS DIGEST

Euromoney rises 16% to £10m

DEVELOPING ITS acquisitions helped Euromoney Publications, the magazine publisher, report another record year despite the slump in financial advertising and the Gulf war.

Pre-tax profits for the year to September 30 improved 16 per cent to £10.3m (£8.87m) on turnover ahead 6 per cent at £35.7m (£33.6m), *of which 75* per cent came from overseas. At the year end the company had 23 magazines and drew revenue from 144 countries.

From earnings per share of 33.43p (27.88p) a final proposed dividend of 16p makes a total of 22.5p (18.5p).

McLeod Russell down to £4.4m

In a difficult time for all its businesses, McLeod Russell Holdings saw its pre-tax profit fall from £7.75m to £4.42m in the year ended September 30 1991.

The previous year, however, included £2.07m exceptional surplus on the sale of the Avonmouth warehouse.

Turnover rose to £43.3m (£37.3m). Earnings per share dropped to 6.81p (13.4p) but the dividend is stepped up to 5.85p (5.8p) with a final of 3.1p.

Joseph Mason, the commercial vehicle paint subsidiary, suffered from a depressed market and turnover fell to £11.9m (£12.7m) and profit to £1.29m (£2.25m). Granyte Surface Coatings, which serves the furniture industry, saw sales fall to £12.2m (£13.1m) and profits to £1.16m (£1.33m).

Without the significant cost cutting exercises at both those *companies the profit level* reported would not have been achieved.

The recession hit Blakes Marine Paints, where profit was £73,000 (£112,000) on turnover of £1.27m (£1.3m).

Textile machinery incurred a loss of £251,000 (£326,000). *Property activities continued to* make satisfactory profits.

Storm slackens to £50,000

Taxable profits at Storm Group, the USM-quoted owner of the Shoe People cartoon characters, fell 32 per cent *from £74,000 to £50,000 in the* six months to June 30.

After turnover more than doubled at £605,000 (£301,000), operating losses were halved to £25,000 (£54,000). Net interest receivable declined to £71,000 (£128,000).

Earnings slipped to 0.07p (0.09p) per share and the directors still consider it inappropriate to start paying dividends.

Mr James Driscoll, chairman, said that the figures did not reflect Storm's underlying growth – the Shoe People, the main trading company, and the parent company had operating profits of £22,000 (losses £54,000). A4 Publications, acquired in November 1990 and since re-organised, lost £47,000.

Bogod rises 13% to £102,000

Bogod, wholesaler of sewing machines and parts, reported a 13 per cent rise from £90,000 to £102,000 in pre-tax profits for the half year to September 30, on turnover virtually unchanged at £2.66m.

Mr Leon Sterling, chairman, said the improvement was as a result of careful control of costs. But because the UK recession in the area in which Bogod operates "shows no sign of easing, indeed conditions are more difficult than a year ago", *he forecast a broadly similar* result for 1991-92 as in the previous year.

Earnings per share rose from 1.01p to 1.19p, after tax of £33,000 (£31,000); there were no extraordinary items this time (£72,000 charge). The interim dividend *is maintained* at 0.1p.

James Dickie makes return to profit

After several years of losses, James Dickie has turned in a pre-tax profit of £306,000 for the 12 months ended August 31 1991.

That compared with a loss of £314,000 for the previous 10 months.

Turnover of this pressings and stampings, and engineering group whose main markets are heavy trucks, construction and distribution equipment components, moved up to £26.4m (£23.3m), which included factored sales of £4.5m which will not recur, from which the trading profit doubled to £949,000 (£416,000). Exceptional charges were £156,000 (£219,000).

Earnings per share came to 3.8p (losses 6p).

James Dickie (Drop Forgings) has been put up for sale. An extraordinary provision of £150,000 has been charged as the anticipated loss on disposal.

Five Oaks forced to omit dividend

In April, the board of Five Oaks Investments, the property investment and dealing company, said it intended to pay a dividend for the full year to June 30.

However, after making substantial provisions against its completed developments amounting to £9.8m, the group incurred a pre-tax loss of £9.37m for the year against a previous profit of £657,000. Consequently the dividend is being passed.

Rental income improved 18 per cent to £3.1m (£2.63m) but other income was down from £6.75m to £1.84m leaving an operating profit, before the exceptional item, of £3.43m (£4.2m).

Losses per share were 20.18p compared with earnings of 3.13p.

Hardy Oil & Gas achieves £4.5m

Hardy Oil & Gas, the mineral oil and natural gas company, lifted net profits for the half year to September 30 from £4.23m to £4.46m.

The pre-tax figure fell to £1.74m (£1.83m) and the tax credit of £2.72m (£2.4m) represents *the anticipated refund* of petroleum revenue tax paid in earlier periods, the directors said. Earnings, on an increased share base, amounted to 5.2p (8.1p).

Turnover improved from £14m to £19.3m.

Looking ahead, Mr Douglas Baker, chairman, said there would be some increase in production volumes in the second half, and he expected results for the full-year to be comparable with last year's.

Honeysuckle back with 1p dividend

Honeysuckle Group, wholesaler of textiles, clothing, and footwear, is returning to dividends with a 1p payment as it stayed in profit for the year ended May 31 1991.

After a first half pre-tax profit of £243,000 (£294,000), the year's result came to £375,000 against the previous loss of £170,000. Earnings per share were 2p (losses 1.1p).

Turnover was little changed at £18.7m (£18.2m) but a reduction in most costs meant the operating surplus moved up from £282,000 to £398,000.

Mr David Serr, chairman, said the restructuring and rationalisation had continued. The current performance was giving "grounds for optimism", both in the the 1991 winter season and the value of goods sold forward for the coming spring.

The proportion of UK sourced goods was continuing to increase and were becoming an important sector of the overall portfolio of products.

Midland & Scottish losses of £3m

Midland & Scottish Resources, the oil production and services group and a 44 per cent partner in the North Sea Emerald Field, announced a pre-tax loss of £3m in the six months to June 30 compared with a profit of £9.5m for the corresponding period of the previous year.

Mr Martyn Deaner, chairman, said the loss was as expected after delays by the contractor in completion of the Emerald floating production facility. He said that with oil due to flow soon, *at long last* the group should be able to look to the future with greater confidence.

There was a loss of 1p per share against earnings of 7p.

Specialist Computer improves to £5.2m

Specialist Computer Holdings, the privately-held computing services company turned in increased revenues and pre-tax profits last year – against the trend in a sector devastated by declining profitability.

Turnover was up 12 per cent to £77.5m in the year ended March 31, while pre-tax profits rose by 11 per cent to £5.2m (£4.7m).

The company's principal business is a personal computer dealership, but it is also a computer distributor and operates computer bureaux and training services.

Mr Peter Rigby, chairman, said the company had no net borrowings and had sufficient liquid resources to take advantage of profitable opportunities as they arose.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Price for Trading on 15.11.91	Final Prices for Trading on [illegible]	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0000	16.49	15.83	15.83
0100	18.90	15.82	15.82
0130	21.00	15.86	15.86
0200	21.00	15.91	15.91
0230	16.90	15.92	15.92
0300	18.60	15.92	15.92
0330	16.45	15.90	15.90
0400	16.34	15.83	15.83
0430	15.90	15.83	15.83
0500	16.28	15.82	15.82
0530	16.46	15.82	15.82
0600	16.46	15.83	15.83
0630	16.48	16.00	16.00
0700	19.26	16.21	16.21
0730	20.82	20.72	23.75
0800	21.18	29.45	34.82
0830	21.78	34.32	39.81
0900	21.80	37.31	43.35
0930	26.41	35.61	41.29
1000	25.43	34.48	39.84
1030	25.43	33.31	38.59
1100	25.45	32.34	37.36
1130	25.50	31.61	36.48
1200	26.21	30.95	35.65
1230	26.18	28.85	33.01
1300	26.12	26.83	30.16
1330	21.79	20.98	23.82
1400	21.12	20.29	22.98
1430	21.12	19.86	22.22
1500	21.11	19.59	22.13
1530	20.87	19.51	22.09
1600	17.18	19.36	21.90
1630	23.22	19.81	22.50
1700	37.99	20.54	23.48
1730	40.65	24.58	27.82
1800	38.99	26.95	30.64
1830	31.87	26.86	30.71
1900	25.92	27.41	31.06
1930	23.68	25.59	28.77
2000	20.62	19.63	22.11
2030	19.76	19.10	21.63
2100	19.28	18.03	20.42
2130	18.62	17.61	19.99
2200	18.47	17.61	19.99
2230	16.83	17.40	19.76
2300	16.45	17.27	19.65
2330	16.34	15.92	15.92
2400	16.34	15.83	15.83

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

THE PROPERTY MARKET

Titans seek shelter from the storm

By Vanessa Houlder

The Management Pavilion at Broadgate is one of the oddest new buildings in the City. Tubular in shape with tinted glass and blood red marble, it sits at the heart of the 29-acre office complex.

Last Friday, its normally austere and hushed atmosphere was transformed: Rosehaugh and Stanhope, the developers of Broadgate were celebrating the decision of the European Bank for Reconstruction and Development to choose one of their buildings to house the bank's new headquarters in the largest City letting this year.

The deal had been concluded in just a week against fierce competition from other developers. It was, said a congratulatory memorandum to employees issued by Mr Nigel Wilson, Stanhope's managing director, an "outstanding achievement" for those involved: the lawyers, the Broadgate team at Stanhope – and its counterparts at Rosehaugh.

Co-operation between Stanhope and Rosehaugh deserves comment. The companies' founders, Mr Stuart Lipton and Mr Godfrey Bradman, are nearly as celebrated for their differences as for their achievements. The image of a harmonious relationship between the companies has not been enhanced by the length of the merger talks, which started in private well before they became public knowledge in July.

Nevertheless the logic behind a merger is convincing. Rosehaugh Stanhope Developments (RSD), the joint-venture company created to undertake the Broadgate and Ludgate projects, is the main asset for both companies, and it makes sense to bring it into common ownership.

Disagreements between the two companies have slowed down at least one significant sale in the past and they are less likely to attract new capital while ownership of their main asset is divided.

Disclosure of the merger talks, however, astonished the stock market, which could see little hope of salvation for the troubled companies through a merger. Because Stanhope and, to an even greater extent, Rosehaugh were being squeezed by heavy borrowings and falling assets their overriding requirement appeared to be a capital injection. Fears about the need for a rights issue have helped to depress the share price of both companies.

TOTAL RETURN (%)

	Retail	Office	Industrial	All Props
Year to Sep 91	-0.8	-8.9	3.0	-3.8
Quarter to Sep 91	0.9	-2.4	2.6	-0.1
Month of Sep 91	0.5	-0.7	1.2	0.2

Investment Property Databank

Market scepticism was understandable. Great difficulties remain in working out the values of the properties in the two groups and the financial position of Rosehaugh, which has buildings and projects around the country. Establishing the value of these properties took over two months.

Rosehaugh has yet to disclose its results for the year to the end of June, but concern has been expressed in the City about its cash flow position. Nor has Stanhope been unscathed. It announced pretax losses of £77m and a 30 per cent fall in net asset value last month, but at least it has adequate cash and it has not breached its covenants.

By publishing its results and clarifying its financial position, Stanhope may have strengthened its negotiating position. Instead of being on equal terms with Rosehaugh, it could be seen as a potential rescuer.

Those close to the Rosehaugh camp deny suggestions that the company's declining share price indicates that it has severe problems.

With 70 banks involved in the two companies, mapping out a merger is complex. Every bank has a different risk profile, and no one is prepared to take on more risk as a result of the merger. It seems likely that Stanhope wants to conclude a deal that will allow it to take control of RSD without taking the financial responsibility for Rosehaugh's other interests. These loans (which have been made by some 20 banks headed by Barclays and National Westminster) could be ring-fenced and the properties sold.

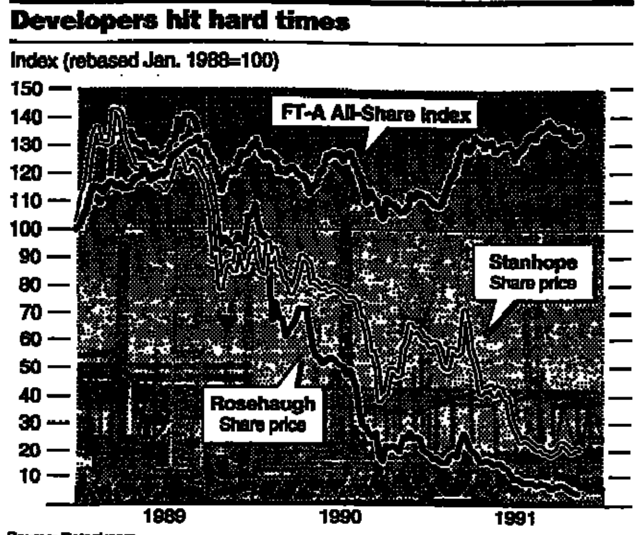
It is questionable whether this would be acceptable to all the banks. "Why should they make sacrifices to induce Stanhope to do a merger?" says a critic. "A proposal has to be practical."

Another issue is that if the merged entity took control of RSD, it would have to take RSD's debts on to its balance sheet, which would raise its gearing to what many analysts believe would be an unacceptable level. A cash injection or a rights issue would be inevitable, they say.

Stanhope would argue that it does not necessarily need an injection of new funds. RSD has £60m in cash, while Stanhope has some £100m on deposit. RSD expects Broadgate to be self-financing next year, with borrowings of £1bn and a rent roll of £100m.

Developers hit hard times

Index (rebased Jan. 1989=100)



Source: Datastream

RSD's weak point is Ludgate, the development going up near St Paul's, which it started building last year after Coopers & Lybrand Deloitte, the firm of accountants, agreed to take the space. Coopers has now pulled out of the deal – ironically as a result of EBRD's choice of Broadgate as its headquarters rather than Embankment Place, at Charing Cross.

The accountancy firm, which signed a lease on Embankment Place before the merger of Coopers & Lybrand and Deloitte Haskin & Sells, has had to abandon hopes of subletting the building to the bank and will now have to occupy it.

This leaves RSD looking for a tenant for an expensive development, which it would not have started building without an agreed letting. It shrugs off the problem, pointing out that the buildings are nowhere near completion and that there are some 20 firms of solicitors which are potential tenants. However, Kleinwort Benson Securities suggests that the break-even rent for the scheme is £51 per sq ft and a 7 per cent yield and concludes that "there must yet be scope for a massive writedown on total costs of £360m".

Some analysts are also sceptical about the apparently modest fall in the value of RSD, which fell by just 8 per cent, according to the balance sheet published last week. They wonder if it was based on a one-off deal, the sale of Broadgate Phase 7 in August 1991, for £180m. There could be further falls in value, they think.

For the moment, however, RSD does not appear to be the black hole many feared. That should encourage those working for a merger, as should Rosehaugh's recent announcement that it has cut borrowings by £70m since July.

Whether these advances are enough remains to be seen. Negotiations still have a long way to go to satisfy the bankers and shareholders of both sides. Stanhope would like to offer Rosehaugh's shareholders a variable percentage of the company dependent on performance, while Rosehaugh would prefer a more straightforward deal. Olympia & York, the Canadian developer which owns 33 per cent of Stanhope and 8 per cent of Rosehaugh, will have an important part to play in the eventual outcome.

Both property companies favour a merger, while believing that they could, if necessary, have an independent future. At the moment, the odds on a deal going ahead are probably evens.

If the merger goes ahead, the new company is likely to be rather different from either Stanhope or Rosehaugh. They both made their name in one of the most positive climates for development the country has seen, while the new company might have to concentrate on managing its existing assets.

Mr Bradman has decided to leave the business, some time after the Queen visits Broadgate for its completion on December 5. Mr Lipton, while remaining a director, is likely to concentrate on planning schemes and leave the chairmanship to Stanhope's current chairman Lord Sharp.

If this happens, neither Rosehaugh nor Stanhope would be extinguished. For a time, however, the amalgamated company would look different from the audacious, innovative developers which took London by storm in the 1980s.

Low prices force Dutch smelter closure

By Kenneth Gooding, Mining Correspondent

LOW METAL prices and increasing environmental pressures have forced Billiton, the metals business within the Royal Dutch/Shell energy group, to halt tin and lead production at its plant in Arnhem in the Netherlands.

The Arnhem smelter has been producing primary tin at a rate of 4,000 tonnes a year as well as 10,000 tonnes of lead recovered from used car batteries.

Analysts suggested yesterday, however, that a production cut of that order was is not severe enough to put any significant upward pressure on metal prices. "But it might help to stop prices going lower," said Mr Robin Bhar, analyst at Carr Kitcat & Aitken. He pointed out that there were about 30,000 tonnes of tin stocks overhanging the market while there was likely to be a lead supply surplus of 80,000 to 100,000 tonnes this year.

Arnhem is the seventh tin smelting plant to close so far in 1991 as low prices have forced mine closures and cut the availability of high-quality tin concentrates, their main raw material.

Billiton said Arnhem made a loss of Fl 8m (about £2.45m) last year and a loss of Fl 17m to 18m was expected for 1991. Employment at the plant will be cut from 190 to 40 and the third business at Arnhem, production of metallic salts for the pharmaceutical, glass and plastics industries, would continue.

Inco expects nickel market recovery

By Bernard Simon in Toronto

INCO, THE world's largest nickel producer, expects a market recovery to take hold next year, but its own performance may be impeded by rising costs. Inco said in a presentation to analysts that western nickel demand was likely to rise slightly this year to 1.52m lb from 1.51m lb in 1990. It forecast similar demand in 1992.

Total supplies were forecast to rise to 1.56m lb this year from 1.46m lb in 1990, with exports from the Soviet Union jumping from 175m lb to 245m lb. Soviet supplies have been a major disruptive factor in the nickel market in recent months.

Stainless steel demand is expected to start recovering in the second quarter of 1991. Although sizeable stocks will have to be run down, Inco is banking that further cutbacks in supply will lead to a relatively quick impact on prices.

Supply forecasts for 1992 are clouded by the possibility of production cuts and the unpredictability of Soviet sales.

Inco's average unit production costs have risen by 74 per cent between 1987 and 1991. Its break even point this year is US$3.30 a lb. Costs have been pushed up by mining of lower grades and lower volumes, rising employment costs and the strong Canadian dollar.

Although the company predicted that future cost increases would be held below the inflation rate, Mr Victor Lazarovici, analyst at BBN James Capel in Toronto, yesterday cut his 1992 earnings forecast to $1.90 a share from an earlier estimate of $2.05. "They appear to be out of the low-grade cycle now but even with that, the cost projections are pretty depressing," Mr Lazarovici said.

Capital spending would be trimmed to $350m next year, from $454m in 1991 and $573m in 1990. The 1992 capital budget includes $42m for the sulphur dioxide emission abatement project in Sudbury, Ontario, which is nearing completion.

Greece dumps 40 per cent of peach crop

By Kerin Hope in Athens

ALMOST 40 per cent of Greece's peach crop was buried this year, despite increased exports and efforts to improve canning facilities.

According to the agriculture ministry, 260,000 tonnes of peaches were dumped out of total production of around 670,000 tonnes. Dumping of peaches has risen steadily in the past eight years, as production soared by almost 200 per cent but local consumption and exports together increased by only 25 per cent.

The Greek peach canning industry now absorbs some 230,000 tonnes a year, a 90 per cent improvement over the early 1980s. Greece has become the world's largest exporter of canned peaches, with a 52 per cent market share.

This year, the state-controlled Agricultural Bank offered extra credits to canning plants with the aim of raising production by at least one-third. But farm co-operatives were slow to respond, fearing they would be unable to find additional markets.

Peach exports this year totalled 48,174 tonnes, a 12 per cent decline from 1990. However, exports of nectarines rose by 48 per cent to 34,477 tonnes, almost half this year's crop.

Grape and water melon sales also improved, although many Greek exporters had to use alternative routes to western Europe, through Hungary or Italy, because of civil war in Yugoslavia.

Big platinum surplus forecast

By Kenneth Gooding

THE PLATINUM market this year is likely to show the biggest surplus of supply over demand since 1983. This will depress prices, holding them in a range between $350 and $390 a troy ounce for the next six months, says Johnson Matthey, the world's largest platinum marketing group.

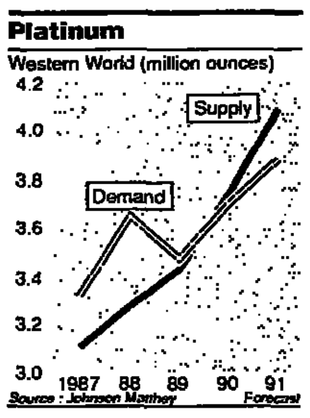
Platinum started this year at $424 an ounce and yesterday was fixed in London at $xxx.

But this does not mean the market is sick or weakening. Western world demand for platinum this year will rise by 5 per cent to a record 3.88m ounces, JM suggests in its latest review.

However, supply will increase by 360,000 ounces or nearly 10 per cent to 4.09m ounces to give a surplus of 210,000 ounces, compared with one of only 35,000 ounces last year, says the review.

Mr Alan Austin, JM's director of platinum metals sales and services, said yesterday that this forecast might already have been overtaken by events. Even though JM had revised downwards its forecast about supplies from South African – the review suggests this will show an increase of 140,000 ounces to 2.9m ounces – industrial and political disputes have been severely cutting production at Impala Platinum in South Africa, the second-largest producer outside the former Soviet Union, in a way that could not have been predicted when the forecast was being drawn up.

JM was also unprepared at the begining of 1991 for the continued strength platinum sales to the west by the former Soviet Union, Mr Austin admitted. These jumped from 550,000 ounces in 1989 to 720,000 ounces last year and, as some of the extra platinum came from stock, JM did not believe Soviet sales could be maintained at the higher level.



Source: Johnson Matthey

However, the company now expects that, forced on by their desperate search for hard currency, the Soviets will sell 930,000 ounces of platinum in the west this year. This does not include 740,000 ounces of platinum delivered to Switzerland by the Soviets by the end of June. JM assumes these have been used for financial swaps, in which the metal is sold with a commitment to repurchase (plus payment of interest) at a later date; or as collateral against loans or for leasing to consumers and fabricators. In these circumstances the precious metal still belongs to the Soviets.

JM's review points out that "extraordinary quantities" of palladium and rhodium were also shipped to Zurich, probably for the same reasons, but these shipments helped depress the prices of these metals in a nervous market.

The review suggests demand for platinum for car catalysts, used to cut polluting emissions, will be maintained at 1.535m ounces despite the worst US car sales since 1982. The fall in the US and a slip in Japanese demand will be compensated for by the increasing number of western European cars being fitted with catalysts.

The review predicts that jewellery demand will be 8 per cent higher this year at 1.47m ounces. In Japan low prices have prompted an upsurge of demand from young people for simple platinum jewellery. This should raise consumption in that country by 90,000 ounces this year to 1.28m ounces.

Mr Jeremy Coombes, author of the review, also forecasts a slight recovery in retail investment demand for platinum coins and bars to 305,000 ounces from 200,000 ounces in 1990. "The low platinum price, and its near-parity with gold, has prompted substantial investor buying in recent months after a sleepy first half," he says.

"Platinum 1991: interim review," free from Johnson Matthey precious metals division, 78 Hatton Garden, London EC1N 8JP, England.

Cuba and Brazil seen depressing sugar prices

By David Blackwell

WORLD SUGAR prices are set to come under growing pressure as the prospect of increasing competition from Cuban and Brazilian exports is taken into account, according to E.D. & F. Man, the London trade house.

In the short term talk of white sugar export contracts to Russia should sustain speculative interest, maintaining prices, says Man in its latest sugar market report. So far such speculation has prevented a slide below 8 cents a lb for New York raw futures.

But the uncertainty over the scale of Soviet imports from the free market, coupled with potential Cuban exports, is "the harbinger of the most radical changes in the sugar trade for over two decades.

"From a situation where the free market trade had been declining gradually to fairly regular, certain and transparent trade flows, the market has been exposed to major changes and uncertainties following the break-up of the Comecon, decentralisation of East European countries and the Soviet Union."

Man has revised its estimate of the 1991-92 world production surplus to 1.8m tonnes from an earlier 2m tonnes. In contrast Czarnikow, another leading London trade house, sees the market in balance.

Czarnikow's latest sugar market report puts world production at 112.86m tonnes for 1991-92, down from an August estimate of 113m tonnes. Consumption is estimated at 112.15m tonnes in 1992, compared with the earlier forecast of 113.14m tonnes.

The surplus of 700,000 tonnes is mostly taken up by what Czarnikow describes as "unrecorded disappearance."

Czarnikow now puts Soviet production at 7.5m tonnes, down from an August estimate of 8.75m tonnes. But the fall has been offset by higher production in other countries, mainly Brazil.

Minero Peru preparing way for private investment plans

By Kenneth Gooding

THE PERUVIAN government's determination to push ahead quickly with the return of the country's state-owned mining assets to the private sector was been illustrated again this week when one of the groups involved, Minero Peru, asked for bids for the contract to assess the value of its operating units.

In an advertisement in the Financial Times, Mr Juan Carlos Barcellos, chairman, said the appraisal was "in line with the objective of promoting private investment for the expansion of Minero Peru's operating units by incorporating new private companies in which Minero Peru shall have a minority participation." Bids must be in by November 22.

With impeccable timing, a book containing probably the most detailed information ever compiled on Peru's mines and mineral processing has been published by the Peru Reports organisation. For the first time a handful of key mining families and groups have disclosed 1980-91 output, metallurgical, commercial and, with a few exceptions, even ownership data of the country's 60 biggest mines.

Mr Jonathan Cavanagh, the editor, points out that Peru is among the seven largest mining countries in the world, containing an estimated 7 per cent of the world's zinc reserves, between 10 and 20 per cent of the copper and silver reserves and important deposits of many other minerals. But only 12 per cent of this enormous potential is under exploitation and very few foreign companies are operating in Peru.

The book, for which the Financial Times' local correspondent Ms Sally Bowen did some of the research, indicates that Minero Peru's prime asset is Cerro Verde, which is mining one of the country's most important porphyry copper deposits. Cero Verde is projected to produce 17,550 tonnes of copper in cathodes and 11,250 tonnes in concentrates in 1991.

Peru's state mining sector includes 12 separate mining operations of which seven are owned by the Centromin group. The prospect of privatisation does not please the mining unions and there was considerable support for a strike called this week by Centromin's 16 unions in protest.

"Mines and Miners in Peru," US$549 from Peru Reporting Servicios, Estados Unidos 405, Jesus Maria, Lima, Peru. Fax: Lima 633108

Vietnam slows rice exports

By Alexander Nicoll, recently in Hanoi

VIETNAM'S EXPORTS of rice are being limited this year by a drop in sales to the former Soviet bloc and the need to preserve domestic supplies after two years of substantial sales abroad.

The sudden emergence of Vietnam as a rice exporter in 1989 was the first evidence to the outside world of the success of the communist government's market-oriented economic reforms. Peasants, freed from the collectivist system to lease and farm their own land for their own benefit, responded with a big rise in production and yields. Exports totalled 1.4m tonnes in 1989 and 1.5m last year.

Mr Nguyen Thien Luan, vice minister of agriculture, said in an interview in Hanoi that exports were being kept down to about 1m tonnes this year although the the total food crop harvest is expected to total about the same as last year's 21.5m tonnes, of which rice makes up about 19m.

One reason for caution is the collapse of the country's economic relations with the former Soviet Union and eastern European countries, which had previously been important customers for agricultural produce. The Soviet Union was also the main supplier of inputs such as fertiliser and insecticide.

With trade between the two countries now put on a hard-currency basis – and uncertainty about how Vietnam's large rouble debt to Moscow will be handled – the Soviets have reduced purchases. Vietnam has meanwhile suffered a crisis in the supply of inputs. The country will do well to maintain its output this year in the face of shortages of inputs and after floods in the Mekong delta, the main rice producing area, earlier this year.

Mr Luan said Vietnam had managed to secure sufficient supplies of fertiliser, but at vastly increased cost and from a wide range of exporters – even though the original supplier is still usually the Soviet Union. Vietnam's foreign exchange reserves are believed to be perilously low.

The United National Development Programme has identified agricultural inputs as one of the first targets of an official international aid programme which could begin if the US lifted its ban on dealings with Vietnam. It proposes funding of $150m annually for three years to help purchases of fertiliser, insecticide and simple mechanical equipment.

The need to find alternative export markets also puts the emphasis on improved quality and processing. Vietnam has only one rice husking plant, and the remainder is husked by small machines in villages, Mr Luan said.

Vietnam is seeking to expand its exports of other commodities, such as meat, vegetables, fruit, coffee, tea and rubber, but is severely hampered by the lack of adequate processing facilities. These too will mostly have to await an inflow of aid and investment after the lifting of the US embargo.

Whitefly plague hits crops in California

By Louise Kehoe in Los Angeles

WINTER FRUIT and vegetable crops in areas of Southern California have been severely damaged by an infestation of poinsettia whiteflies, a pesticide-resistant insect that consumes fruits and vegetables.

The damage to date is estimated to jave reached $90m and is projected to top $200m by next spring, making this the most serious pest problem in the state since the invasion of Mediterranean fruit flies in 1989.

The voracious insect, which farmers call the "superbug" has destroyed melons, alfalfa, cotton, lettuce, and several other vegetable crops in California's Imperial and Riverside Counties. These rich growing areas provide the bulk of winter vegetable crops for the US market.

Riverside County is the fifth ranking agricultural county in the US with produce output valued at about $1.1bn last year, and Imperial County is in eighth place with produce worth $1bn.

A state of emergency was declared in the region this week by Mr Pete Wilson, California's governor, who said that he would seek federal aid for growers, packers and related businesses.

"It seems every imaginable natural disaster has struck California this year," Governor Wilson said. "We have suffered a freeze, drought, chemical spills, earthquake and a devastating fire. We now face a very destructive infestation of the poinsettia whitefly."

Efforts to control the spread of the whitefly had so far failed and growers would not be able to replant next season unless effective eradication methods were discovered, Mr Wilson said.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta coffee prices closed only slightly below six-month highs reached earlier in the day, supported by roaster and trade buying. Dealers said constructive charts and a nearby shortage of quality coffee had helped to create a bullish mood and further gains are expected in the short term. But there appears to be more than adequate supplies further forward, limiting the scope of any rise in the longer term. On the LME nickel continued its technical rally from the 20-month low of earlier this week. Short-term sentiment was also aided by market talk of a strike at Western Mining's Kambalda facilities, where miners are currently in dispute over work practices. Lead prices were lifted by the news that Billiton is shutting its secondary lead smelter at Arnhem. Zinc prices continued to rise on short covering and merchant buying. Traders said the rise was still technically based. The market was knocked off the day's highs by selling from a fund; the threat remains that if the market continues to race higher, and $1,100 a tonne is now the target for three-month metal, it will trigger off liquidation from another fund holding a large short position. Traders were also starting to watch the strike situation in Peru.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.50-7.60	-0.45
Brent Blend (dated)	$20.85-0.90	-.525
Brent Blend (Jan)	$20.75-0.80	-0.45
W.T.I. (1 pm est)	$22.05-2.10	-0.45

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$238-240	-3
Gas Oil	$202-203	-10
Heavy Fuel Oil	$91-93	+1.5
Naphtha	$218-221	-5.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$356.10	-0.10
Silver (per troy oz)♣	404.35c	-0.55
Platinum (per troy oz)	$358.50	-5.5
Palladium (per troy oz)	$84.00	-1.5
Copper (US Producer)	109.8	-0.3
Lead (US Producer)	37.0	
Tin (Kuala Lumpur market)	14.65r	-0.09
Tin (New York)	255.50	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.32p	-0.01*
Sheep (dead weight)†	148.29p	12.31*
Pigs (live weight)†	88.34p	10.59*
London daily sugar (raw)	$215.0x	-3.0
London daily sugar (white)	$277.0x	+1.0
Tate and Lyle export price	£228.5	-2.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£141.5	+0.25
Wheat (US Dark Northern)	£101.0	
Rubber (Dec)♥	51.50p	
Rubber (Jan)♥	51.50p	
Rubber (KL RSS No 1 Dec)	224.0m	
Coconut oil (Philippines)§	$617.5x	+7.5
Palm Oil (Malaysian)§	$367.5u	+2.5
Copra (Philippines)§	$407.4	+9.9
Soyabeans (US)	£149.0	+1.5
Cotton "A" index	62.70	-0.7
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan. t-Sep/Dec. u-Jan/Mar. x-Nov/Dec. y-Dec/Jan. z-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	187.00	187.00	187.00
Mar	180.80	182.00	182.60 180.60
May	182.00	183.00	183.00 182.80
Aug	186.00	187.60	187.00 186.00
Oct	184.00	184.00	184.40 183.00

White	Close	Previous	High/Low
Dec	275.5	276.2	278.0 276.2
Mar	271.0	271.7	273.7 271.0
May	270.7	271.6	273.0 271.0
Aug	274.7	274.7	276.0 275.0
Oct	250.9	250.6	251.5 250.5

Turnover: Raw 848 (690) lots of 50 tonnes. White 1557 (1970)
Paris- White (FFr per tonne): Dec 1529.19, Mar 1541.90

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Dec	21.03	21.28	21.22 20.95
Jan	20.84	21.03	21.00 20.73
Feb	20.60	20.75	20.71 20.50
Mar	20.33	20.45	20.46 20.30
Apr	20.08	20.12	20.14 20.01
May	19.90	20.00	19.95 19.87
Jun	19.72	19.80	19.80 19.72
IPE Index	21.46	21.36	

Turnover 28000 (25515)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Dec	201.75	211.00	208.50 201.25
Jan	201.50	210.50	207.50 201.50
Feb	196.25	204.00	201.75 196.00
Mar	189.00	197.00	195.00 189.00
Apr	183.00	190.00	188.00 182.75
May	178.00	183.25	182.50 177.50
Jun	174.50	179.50	177.25 174.50
Jul	175.75		177.50

Turnover 23430 (15658) lots of 100 tonnes

FRUIT & VEGETABLE

Spania satsumas are this week's star buy at 45-55p a lb reports the FFVIB. Apples remain plentiful, particularly good are English Spartan at 40-50p a lb, French Golden Delicious at 50-55p a lb and Washington Red Delicious at 55-60p a lb. Bananas are good at 45-70p a lb along with Kiwifruit at 15-25p each. Carrots at 15-20p a lb, with Savoy Cabbage priced at 20-30p a head, flat mushrooms are at 50-70p a ½ lb and Brussels Sprouts are also good at 28-35p a lb. Chinese leaves are at 50-60p a lb

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Dec	746	738	749 736
Mar	784	775	785 775
May	808	798	809 797
Jul	830	824	832 824
Sep	853	845	854 846
Dec	879	871	878 870
Mar	904	897	905 900
Jul	938		935 935
Sep	953	945	955 951

Turnover 8788 (5278) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.13 937.43 (935.38) 10 day average for Nov.13 943.09 (943.03)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
Nov	584	582	585 587
Jan	580	574	594 574
Mar	570	566	574 558

Turnover 3884 (1036) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.14: Comp. daily 63.99 (63.83) 15 day average 63.35 (63.35)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	133.4	132.9	133.6 132.6
May	150.0	149.0	149.5

Turnover 208 (149) lots of 20 tonnes

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	123.00		123.00
Aug	124.50	124.00	124.50

Turnover 75 (70) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Nov	1575	1598	1575 1565
Dec	1575	1605	1585 1570
Jan	1617	1636	1636 1605
Apr	1623	1645	1630 1614
Jul	1410	1532	1425 1415
Oct	1515		1525 1515
BFI	1624	1630	

Turnover 485 (248)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Nov	119.40	119.25	119.60 119.30
Jan	122.60	122.60	122.85 122.50
Mar	126.00	126.10	126.40 126.00
May	128.90	129.10	129.50 129.25
Jun	130.35	130.35	130.70

Barley	Close	Previous	High/Low
Nov	114.70		114.90 114.70
Jan	118.05	118.25	118.35 118.00
Mar	121.25	121.40	121.50

Turnover: Wheat 432 (454), Barley 123 (10).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	101.8	102.0	101.5
Jan	100.3	99.0	100.0 99.0
Feb	104.5	104.5	104.0
Mar	106.5	105.5	106.5 106.0
Apr	107.0	106.0	108.0
May	107.3	105.0	107.0 106.0

Turnover 92 (109) lots of 3,250 kg

MGMI – London FOX

	Close	Prev	High	Low	Vol
Index	134.35	134.68			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,029 lots
Cash	1146-7	1138-39	1139	1139-9.5		
3 months	1173-3.5	1166-67	1180/1164	1166.5-7.0	1180-81	136,280 lots
Copper, Grade A (£ per tonne)						Total daily turnover 14,744 lots
Cash	1341.5-2.5	1348-50	1347/1340	1341-42		
3 months	1321-1.5	1325.5-6	1323/1318	1320.5-1.0	1321-2	105,314 lots
Lead (£ per tonne)						Total daily turnover 1,475 lots
Cash	281-1.5	278-78.5	281/280.5	280-80.5		
3 months	292.5-3.0	290-90.25	294.5/291	291-92	293.5-4.0	14,012 lots
Nickel ($ per tonne)						Total daily turnover 1,834 lots
Cash	7320-30	7295-305	7230	7285-90		
3 months	7375-80	7355-65	7400/7360	7350-51	7400-10	19,281 lots
Tin ($ per tonne)						Total daily turnover 2,169 lots
Cash	5500-10	5510-15		5495-500		
3 months	5555-60	5565-70	5555/5535	5548-50	5555-65	5,048 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,990 lots
Cash	1059.5-60	1049-50	1051	1050-51		
3 months	1173-3.5	1066-67	1081/1067	1067.5-8.0	1079-80	33,934 lots

LME Closing £/$ rate: SPOT: 1.7755 3 months: 1.7541 6 months: 1.7400 9 months: 1.7210

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	355.90-356.30	
Opening	356.90-356.30	
Morning fix	356.15	200.535
Afternoon fix	355.85	200.275
Day's high	356.20-356.50	
Day's low	355.35-355.85	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.54	6 months	4.43
2 months	4.64	12 months	4.33
3 months	4.51		

Silver fix	p/fine oz	US cts equiv
Spot	227.25	404.35
3 months	233.50	409.30
6 months	239.10	414.25
12 months	250.40	424.90

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	356.00-357.00	200.00-201.50
Maple leaf	368.00-369.00	207.25-207.75
New Sovereign	86.00-87.00	48.50-49.00

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	49	38	9	18
550	20	17	30	47
600	7	7	67	87
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	24	78	4	19
750	10	62	15	28
775	3	48	33	39
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
2150	17	33	27	117
2200	9	21	127	
2250				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	355.0	358.6	0	0
Dec	355.7	357.3	357.0	355.6
Jan	357.2	358.8	0	0
Feb	358.4	360.1	369.6	358.3
Apr	360.8	362.5	361.6	361.0
Jun	363.3	3365.0	364.3	363.8
Aug	366.0	367.7	366.8	366.8
Oct	368.5	370.3	369.3	369.3
Dec	371.3	373.1	372.7	372.1

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	358.5	363.0	365.0	355.0
Jan	361.2	365.4	361.5	358.5
Apr	364.0	368.2	364.0	361.0
Jul	366.8	371.0	0	0
Oct	372.6	377.0	373.0	373.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	397.3	403.8	401.0	400.0
Dec	398.0	404.8	403.5	396.5
Jan	399.6	406.4	0	0
Mar	403.8	410.7	409.5	402.5
May	407.9	414.8	413.5	407.5
Jul	411.5	418.4	417.5	411.5
Sep	416.4	422.5	0	0
Dec	421.4	428.5	427.0	422.0
Jan	423.5	430.7	0	0
Mar	427.7	435.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	107.00	105.20	107.20	105.45
Dec	106.25	104.35	106.70	104.65
Jan	106.25	103.60	105.60	104.60
Feb	104.60	103.20	104.60	103.35
Mar	104.05	102.70	104.40	103.00
Apr	103.30	102.05	0	0
May	102.55	101.50	103.10	101.70
Jun	102.05	101.05	0	0
Jul	101.55	100.60	102.00	101.00
Aug	101.10	100.20	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	22.27	22.35	22.27	22.02
Jan	22.16	22.22	22.18	21.93
Feb	21.93	21.96	21.95	21.73
Mar	21.68	21.71	21.71	21.52
Apr	21.42	21.48	21.49	21.30
May	21.22	21.26	21.25	21.14
Jul	20.96	20.94	21.00	20.88

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	6520	6590	6540	6445
Jan	6600	6648	6610	6515
Feb	6495	6539	6510	6430
May	5770	5752	5750	5695
Jun	5640	5642	5640	5615
Jul	5575	5597	5575	5575
Aug	5620	5642	5620	5600
Sep	5730	5752	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1219	1199	1236	1209
Mar	1280	1254	1295	1273
May	1312	1300	1331	1309
Jul	1348	1334	1365	1345
Sep	1373	1358	1390	1371
Dec	1404	1394	1423	1410
Mar	1437	1429	1439	1435
May	1460	1452	0	0
Jul	1480	1472	0	0
Sep	1503	1500	1520	1508

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.35	79.26	80.65	79.25
Mar	83.30	83.25	84.60	83.30
May	86.10	85.80	87.00	86.10
Jul	88.25	88.15	89.30	88.25
Sep	91.00	91.25	91.40	91.00
Dec	94.75	95.00	95.50	94.50
Mar	96.00	97.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.24	8.27	8.35	8.23
May	8.23	8.26	8.35	8.23
Jul	8.24	8.27	8.32	8.24
Oct	8.23	8.28	8.31	8.22
Mar	8.22	8.27	8.27	8.22

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	59.82	57.52	59.52	57.75
Mar	61.30	59.30	61.30	59.55
May	61.97	59.97	61.97	60.15
Jul	62.62	60.62	62.62	60.80
Oct	64.16	62.77	63.90	62.89
Dec	64.50	63.10	65.05	63.25
Mar	65.83	64.55	65.65	65.15

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	170.50	170.90	171.70	168.00
Jan	174.05	176.65	175.90	172.25
Mar	174.45	176.55	175.60	172.50
May	174.95	177.50	175.00	173.00
Jul	174.60	177.15	174.00	174.00
Sep	171.75	174.00	171.00	171.00
Nov	160.25	161.25	160.00	160.00
Jan	159.75	160.45	0	0
Mar	159.75	160.45	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov.14	Nov.13	mnth ago	yr ago
1622.5	1625.0	1640.7	1724.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov.13	Nov.12	mnth ago	yr ago
Spot	112.98	112.96	114.01	123.24
Futures	121.82	121.45	122.82	125.92

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	564/4	558/2	564/6	554/0
Jan	564/4	557/4	566/0	555/0
Mar	571/6	565/4	573/4	563/2
May	579/6	573/6	580/4	571/6
Jul	585/6	581/2	587/0	578/4
Aug	587/2	583/0	587/4	579/4
Sep	581/0	576/4	581/0	576/0
Nov	581/2	576/2	581/4	575/0
Jan	590/4	587/4	590/4	590/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.08	18.87	19.19	18.89
Jan	19.23	18.99	19.25	19.03
Mar	19.52	19.26	19.60	19.37
May	19.79	19.58	19.83	19.66
Jul	20.07	19.85	20.12	19.98
Aug	20.25	20.00	20.25	20.18
Sep	20.31	20.12	20.37	20.25
Oct	20.27	20.11	0	0
Dec	20.72	20.50	20.75	20.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	182.0	180.8	182.6	179.6
Jan	179.9	178.8	180.5	177.7
Mar	178.0	176.7	178.3	175.7
May	176.5	175.7	177.0	174.5
Jul	176.7	175.9	177.2	174.8
Aug	176.6	175.2	176.8	174.8
Sep	176.0	175.8	178.3	174.7
Oct	186.0	185.2	186.5	184.4
Dec	187.0	185.7	187.3	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	244/2	248/0	245/6	243/0
Mar	254/2	256/6	255/6	253/0
May	261/0	262/4	262/4	259/6
Jul	266/0	267/4	267/4	265/0
Sep	259/0	260/0	260/2	258/4
Dec	256/0	257/0	257/0	256/0
Mar	263/0	264/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	355/4	352/4	358/2	350/4
Mar	356/6	353/4	357/0	351/6
May	341/4	338/0	342/0	337/0
Jul	324/2	321/0	325/0	319/2
Sep	328/4	328/0	328/4	325/4
Dec	339/2	335/0	339/2	334/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	76.22	74.95	76.27	75.07
Feb	76.07	75.05	76.15	75.00
Apr	75.67	74.65	75.72	74.75
Jun	71.10	70.57	71.20	70.67
Aug	69.02	68.60	69.40	68.95
Oct	69.70	69.50	70.00	69.70
Dec	70.80	70.80	0	0

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	42.62	41.65	42.70	41.75
Feb	43.50	42.82	43.65	42.85
Apr	41.20	40.65	41.30	40.65
Jun	45.95	45.45	45.97	45.40
Jul	45.95	45.42	46.00	45.40
Aug	44.65	44.32	44.85	44.50
Oct	41.27	41.12	41.27	41.27
Dec	41.62	41.60	41.62	41.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	40.65	39.67	40.92	39.95
Mar	40.55	39.62	40.85	39.80
May	41.60	40.55	41.85	40.80
Jul	42.42	41.45	42.65	41.50
Aug	40.60	40.02	41.25	40.60

LONDON STOCK EXCHANGE

Corporate reports boost confidence

By Terry Byland, UK Stock Market Editor

Account Dealing Dates		
*First Dealings:		
Oct 28	Nov 11	Nov 25
Option Declarations:		
Nov 7	Nov 21	Dec 5
Last Dealings:		
Nov 8	Nov 22	Dec 6
Account Day:		
Nov 18	Dec 2	Dec 16

*New-time dealings may take place from 8.30 am two business days earlier.

SHARE prices bounced higher in London yesterday after a clutch of trading statements from leading UK companies and the latest statistics on domestic unemployment lent credence to hopes that the economy is beginning to recover from recession. However, lingering expectations of an early base rate cut were undermined by yesterday's fall in sterling towards the bottom of its range in the European exchange rate system. The cut in Japanese discount rate had been widely predicted, but sentiment was not helped by Finland's currency problems.

At best, the market was ahead by nearly 23 points on the FT-SE scale but share gains were clipped sharply as sterling weakened in late trading. The final reading put the FT-SE Index at 2,561.6 for an improvement on the day of 15.1. With Wall Street's move above Dow 3,000 still not entirely convincing, London shied away from a fall of 14 Dow points in early trading.

The market opened firmly, helped by stock index futures which have dictated much of the action this week. Early trading also benefited from favourable trading statements from Wellcome and BOC and also from Boots which indicated that there were some signs of economic recovery.

Such is the focus at present on the domestic economic scene that the market brushed aside disappointing third quarter figures from Shell Transport. Royal Insurance pleased the market by making no cash-raising move.

The announcement that October saw the smallest monthly rise in unemployment for a year, bringing the comment from Mr Michael Howard UK Employment secretary, that "the recession is ending," also helped sentiment.

Trading volume remained relatively uninspiring, however, with the day's Seaq total at 462.4m shares, compared with 452m in the previous session; Stock Exchange statistics showed that Wednesday's session brought in retail, or customer, business of only £875.3m, still well short of bull market levels.

The equity market will be on alert for publication this morning of the UK retail price index for last month. But, while analysts expect to see the annualised headline rate of domestic inflation fall to around 3.5 per cent, hopes that this will lead swiftly to a further half point cut in base rates have weakened with sterling.

Also expected today is the latest UK Harris public opinion poll, offering the latest indication of the political fortunes of Mr Major's conservative government.

These political and economic uncertainties continued to plague the London stock market. The strategy team at County Natest said yesterday that it expects the market to remain volatile until the end of the year. However, like most other securities firms, County is sticking fast to its year-end forecast – FT-SE 2,700 in its case. "The next few months could prove a tough ride," warns County, as adverse news threatens the lower end of the current trading range.

The spectre of sterling problems was raised by the economics team at Nomura Research Institute, which warned that the persistent rise in UK imports could drive the current account deficit to around £16bn and possibly face the government with the dilemma of either raising interest rates or formally devaluing sterling.

FINANCIAL TIMES STOCK INDICES

	Nov 14	Nov 13	Nov 12	Nov 11	Nov 8	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	88.98	88.92	88.98	88.97	87.28	80.19	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.57	98.56	98.57	98.55	98.53	88.40	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1983.3	1958.4	1984.9	1972.0	1975.5	1599.5	2109.3 (2/9)	1608.3 (16/1)	2109.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	149.7	149.4	148.6	149.4	148.9	156.1	222.6 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2561.6	2546.5	2575.5	2554.0	2559.0	2060.0	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1164.65	1160.29	1165.75	1158.48	1159.92	-	1198.50 (3/9)	938.62 (16/1)	1198.50 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.99	5.00	4.94	4.97	4.96	6.01				
●Earning Yld %(full)	7.17	7.24	7.15	7.60	7.90	12.54				
●P/E Ratio(Net)(z)	17.55	17.35	17.58	16.50	16.51	9.65				
SEAQ Bargains 4.45pm	25,430	23,972	26,518	26,049	31,805	20,854				
Equity Turnover(£m)†	-	875.28	600.61	893.31	1072.13	720.00				
Equity Bargains†	-	23,625	26,446	25,191	31,117	19,753				
Shares Traded (ml)†	-	387.0	431.2	347.5	507.2	377.2				

Ordinary Share Index, Hourly changes — Day's High 1989.0 — Day's Low 1963.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1968.0	1968.0	1966.0	1965.1	1967.1	1968.8	1968.2	1968.8	1968.3

FT-SE 100, Hourly changes — Day's High 2589.2 — Day's Low 2553.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2558.8	2557.1	2561.1	2562.4	2565.5	2565.5	2567.0	2566.5	2567.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1168.39 — Day's Low 1162.86

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1164.96	1164.62	1163.53	1164.71	1164.04	1164.61	1164.68

GILT EDGED ACTIVITY

Indices*	Nov 13	Nov 12
Gilt Edged Bargains	86.2	84.9
5-Day average	89.6	92.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Wellcome results impress

ENTHUSIASM after positive end-of-year results from Wellcome helped the pharmaceutical company turn in the best performance in the FT-SE 100 list yesterday. The shares advanced sharply at the start of trading and finished 52 ahead at 853p after being 57 up at one stage. Turnover reached 3.7m, about twice as heavy as average levels.

Profits of £403m were above the range of analysts' forecasts, and a number of houses lifted their estimates for the year ending next August. Kleinwort Benson is looking for £500m, against £475m, but feels that following the recent high performance of the stock it should remain a hold.

Mr James Culverwell of Hoare Govett, a strong holder of the stock, has raised his forecast to a similar level and argues that the performance of Wellcome was particularly impressive "in a year in which currencies were against them".

Boots firmer

Boots was among the market's best performers as dealers reacted positively to the half-time figures. These showed profits almost 3 per cent ahead at £162.5m and the interim dividend increased to 4.3p.

Most analysts had forecast either static or only marginally higher profits over the six-month period. Boots shares gained 9 to 433p but turnover was a rather disappointing 2m.

TV stocks active

A sweeping revision of profits predictions for television companies by one securities house following government levy concessions benefited the sector.

BZW changed its forecasts for all the television companies to take into account the advertising levy reduction from 10 per cent to 2.5 per cent. However, it argued that the principal companies to benefit would be those who had lost their franchise and so would not face subsequent franchise charges.

BZW forecasts, for example, that Yorkshire Television (up 9 before closing 3 better at 159p) will make £26m in 1992, against a previous estimate of £18.6m, but only £5m in 1993. Meanwhile, Thames (up 10 at one stage before closing just a penny ahead at 181p), which lost its franchise, is now expected to make £29m, against £18m formerly forecast. Central, which only had to pay £2,000 for its franchise, was the strongest stock, closing 35 to the good at 1085p.

Burmah-Castrol shares, depressed at mid-week by a broker's downgrading triggered by British Steel's poor performance in Germany, staged a determined rally yesterday to close 7 stronger at 542p after County NatWest, the stockbroker, reiterated its positive stance on the stock.

County said it was happy with its current year estimate for Burmah profits of £77m and that the selling of the shares, which had taken Burmah's rating to its lowest since October 1987, had been "overdone".

The late bout of weakness in Enterprise Oil on Wednesday carried over into yesterday when turnover in the stock totalled 3.2m, its highest single day's activity since mid-May. The share price, down 7 on Wednesday, fell smartly at the opening to touch 523p, before steadying later in the day to close a net 11 off at 525p.

The trigger for the selling pressure was BP's sale of its 6.5 per cent stake in the Nelson oil field in the North Sea for £48m. Enterprise has a 48 per cent interest in Nelson. The sale price was lower than many specialists had expected. BP sold half the stake to Neste Oy, the Finnish state-owned oil company, and the other half to OK Petroleum, of Sweden.

Some analysts said the market had overreacted to the news and that the deal had been misinterpreted, but other analysts were openly bearish of the value implied by the deal.

Strauss Turnbull downgraded its asset valuation of Enterprise from 565p to 545p a share and spoke of significant downside from the current level. Strauss lowered its estimate of the field value from £677m to £592m, by far the lowest valuation in the market.

Ultramar, embroiled in fighting off a bid from Lasmo, dipped 2½ to 341p after unveiling third-quarter numbers which came as no real surprise to the market. Lasmo eased 3 to 308p.

Shell Transport's third-quarter figures were said to have been at the bottom end of the range, but little damage was done to the share price which settled only 3 cheaper at 502p; turnover was an unremarkable 2.2m shares.

However, specialists pointed to Shell's exceptionally strong cash position relative to BP. Shell, one specialist said, had a net cash inflow of £765m over the nine-month period but BP had seen a net outflow of £1.2bn. BP eased 1¼ to 322p on 4.9m.

Shares in container group Tiphook tumbled 46 to 458p after speculation about its finances circulated in the stock market. There was also talk that the company might soon make a rights issue to fund a US acquisition.

After the market closed, however, the company said it "knows of no reason" for the fall and denied any of the suggestions made in the market.

Bargain hunters helped to lift British Steel out of its recent doldrums. The shares firmed 1¼ to 86p on turnover of 12m.

A stock overhang, combined with fears over the company's exposure to the faltering US economy, weakened TI. The shares fell 21 to 592p. Pilkington gained 6 to 144p as dealers focused on the recent increases in glass prices across Europe.

There was an element of relief in the market as Royal Insurance released details of its third-quarter figures, including a substantial provision for mortgage indemnity losses.

The composite insurer's losses for the nine-month period leapt to £214m, compared with £91m at the same stage last year, a figure at the very top end of loss expectations.

Dealers, however, were generally reassured by the statement accompanying the figures, which said that mortgage indemnity losses for 1991, 1992 and 1993 should come out at around £400m in aggregate. Some insurance specialists had forecast much higher numbers during recent weeks.

Royal shares, which edged ahead to 298p immediately following the figures, subsequently eased back to close unchanged on balance at 291p. Turnover was a disappointing 3.3m shares.

Sun Alliance was boosted by the encouraging remarks on subsidence claims made by Royal Insurance and put on 9 to 331p.

Insurance broker C.E. Heath closed 10 stronger at 524p, after 529p, on better than expected interim figures showing profits more than 20 per cent higher.

Pharmaceutical issues were firm in sympathy with Wellcome and on news that the US Food and Drug Administration had announced radical steps to speed up approval of drugs. Glaxo was particularly strong, closing 41 up at 863p on turnover of 7.9m.

SmithKline Beecham recovered from Wednesday's dip that had been prompted by problems with Lucozade and gained 12 to 820p.

Firm interim results and a raised dividend from BOC spurred the shares forward by 16 to 599p. Analysts' opinions varied following their meeting with the company. Smith New Court held its full-year profits estimate of £370m. However, Hoare Govett trimmed its forecast by £10m to £345m and moved from "undervalued" to "sell".

MTM improved 2 to 247p as good turnover of 5.2m was enhanced by a line of 1.8m shares dealt at 245p.

A keen buyer of Yorkshire Chemicals prompted traders to mark up the share price by 35 to 553p. Observers said that one agency broker had been nibbling at the stock on behalf of an institution for some time and decided to jump in and buy a large tranche of the stock at 540p.

Waste management company Caird rose 3 to 97p on heavy turnover as traders said that an agency broker had bought about 2.5m shares, or about 4 per cent of the equity. There was talk that a bidder could be on the prowl but institutional buying appeared more likely.

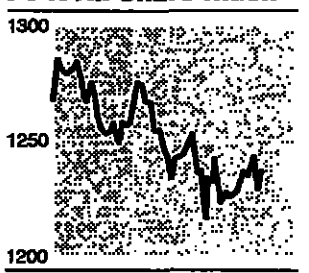
Brent Chemicals eased 3 to 147p as the company announced a one-for-four rights issue at 120p per share to raise £15.6m and an acquisition. Brent is meeting analysts today.

A line of 1.1m ICI shares dealt at 1210p and thought to represent a tax-related deal boosted thin turnover. The shares closed 4 up at 1228p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Steve Thompson.

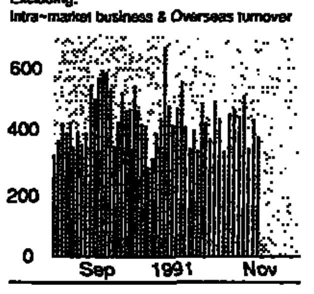
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

Better than anticipated US and UK economic statistics and a number of company results ahead of expectations helped sentiment in the derivatives markets, writes Joel Kibazo.

On the Liffe, the December Footsie contract opened firmly. Positive results from Boots and Wellcome helped further advances as independent traders and a few institutions led buying. The mid-morning enthusiasm was boosted by better than expected UK employment figures.

The December contract remained strong in the early afternoon after the release of favourable US consumer prices.

Dealers then looked to further strength in the contract on the opening of Wall Street. However, it did not materialise and December drifted back, relinquishing some ground to finish at 2,585, up 13 on the previous session and around 8 points above its estimated fair value premium of 20. Volume was above 6,000 lots.

In traded options, turnover reached 31,962, ahead of recent figures and beyond the break-even point of 30,000.

Cadbury Schweppes was the busiest option with 2,686 lots traded. It was followed by Scottish Power with 2,270 contracts dealt. Amstrad, BP and RTZ were also busy.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

APPOINTMENTS

Reverse for Matthews

David Matthews has resigned as chairman and chief executive of loss-making PLAXTON, the Scarborough-based coach manufacturer and car dealer group, "to pursue other interests".

The dual role filled by Matthews, a tall, lean former racing driver who took control of Plaxton four years ago, is to be shared between Michael Doherty, as non-executive chairman, and Robert Wood as chief executive.

Matthews' twin successors both have career roots in Henlys, the car dealer chain which became Matthews' first serious takeover target when he launched Plaxton onto an expansion course in 1989.

Henlys was bought for £47.8m cash in 1989 as part of Matthews' strategy to make Plaxton one of the UK's biggest car and commercial vehicle retailing and distribution groups. The move came within two years of Matthews backing his own Kirkby Central car distribution business into Plaxton with a reverse takeover.

Doherty, also deputy chairman and chief executive of Norcros, was chairman of Henlys for the five years up to the Plaxton takeover. Wood was Henlys' md during the same period. He has been Plaxton's group md since last year.

Following record profits – of £8.72m – in 1989, Matthews expansion strategy has fallen victim to the worst bus and coach market slump since the Second World War, as well as one of the sharpest drops on record in the UK new car market. For the first half of this year Plaxton plunged into a £4.51m pre-tax loss.

John Tuke, md of the motor division, also joins the board.

Munera bridges culture gap

Less than a year after being recruited by MINORCO, the cash-rich offshore investment arm of the Anglo American-De Beers group of South Africa, Gerard Munera has been appointed to the board.

Munera joined Minorco in December last year as chief executive of Minorco USA, the holding company which oversees the Luxembourg-quoted group's interests in the States.

Apart from long experience in mining and metals, Munera, 55, also bridges the culture gap between Europe and the US. He was born a Frenchman in Algeria but became a US citizen in the early 1980s when he was chief executive of Pechiney's subsidiary, Howmet Aluminium, in Connecticut.

Since 1985 he has worked in Paris at Pechiney's headquarters, in Brussels as chief executive of Union Miniere and in London, for just over a year, with the RTZ Corporation. He is now based in Denver.

■ TRAFALGAR HOUSE announces the appointment of Pradeep Kapoor as md of its subsidiary, CemIndia; Ram Punja is retiring as md but remains as chairman.
■ Kenneth Jackson, group md of Carbo, is appointed a director of the HOPKINSON Group.
■ John Mathew, a non-executive director of CHILLINGTON, is appointed its md.
■ Martin Bowley, currently sales director of TSW-Television South West Holdings, will become sales director of CARLTON TELEVISION from January.
■ Paul Vickers has been appointed a director of TV-AM.
■ Paul Angus has been appointed chief executive of WEST COUNTRY BROADCASTING.
■ George Risley, European sales and marketing director of Hazlewood International, is appointed a director of HAZLEWOOD FOODS.
■ David Moody is appointed sales and marketing director of WOLSELEY CENTERS; he moves from Coopers & Lybrand Deloitte.
■ EIP Group announces that Robert Grant is appointed group company secretary; he moves from Jaguar.
■ David Wright is appointed a director of CHLORIDE.
■ Tony Potter, Hilton International's vice-president for North America, is promoted md of HILTON UK.
■ SCAPA GROUP has appointed Robert Buchanan a director.

■ David Fry (above left) has been appointed financial director of PHILIPS ELECTRONICS UK and a member of the UK management committee. He returns to the UK from Philips Industries Australia.
■ Martyn Goodman (above right) has been promoted to group finance director of Butler Cox, now part of COMPUTER SCIENCES CORPORATION, from company secretary and group financial controller.
■ Howard Shephard has been appointed md of SONY BROADCAST & COMMUNICATIONS following the promotion of Mike Tsurumi.
■ MULTITONE COMMUNICATON SYSTEMS has appointed Richard Jefferies as its UK md from Digital Mobile Communications.
■ FKI ELECTRICAL COMPONENTS has appointed Trevor Jenkins as sales director; he moves from A B Connectors.
■ THE HOSKYNS GROUP has promoted Alwyn Welch to be md of its Insight division from its Vector Software subsidiary.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
34⅞	20⅞	Abbott Laboratories[…	34½xd	–⅛	$2.00	–	2.6
385p	218p	♦Allegheny & W 1c	226p	..	30c	–	7.5
10⅛	667p	Amdahl 5c	838pxd	–38	10c	–	0.7
42⅞	25⅞	Amer. Cyanamid $5	34⅞	–⅛	$1.50	–	2.4
17⅞	9⅞	Amer Express 60c	11⅞xd	–⅛	$1.00	–	5.1
24⅞	15¼	American T & T. $1	21⅞xd	–⅛	$1.32	–	3.4
38⅞	32½	Ameritech $1	35⅞	–⅛	$3.40	–	5.4
26⅞	12⅞	BankAmerica $1	21⅞xd	–⅛	$1.20	–	3.1
38⅞	20⅞	Bankers N Y $1	38⅞xd	+⅛	$1.52	–	7.2
30½	24¼	Bell Atlantic $1	26⅛xd	–⅛	$2.52	–	5.4
31¼	25	BellSouth Corp.	27⅞	–⅛	$2.76	–	5.6
11¼	6⅞	♦Bethlehem Steel $8	8¼xd	+⅛	40c	–	2.8
1839p	1046p	Bowater Inc.	1205p	–17	$1.20	–	5.6
54⅞	37⅞	CPC Intnl. 25c	46⅞xd	–⅛	$2.00	–	2.4
930p	420p	California Engy	912p	+5	–	–	–
50	38¼	Campbell Soup 15c	45⅞xd	+1⅞	$1.16	–	1.4
12¼	5⅞	Chase Manhattan $12½	10⅞	–⅛	$1.20	–	6.7
9⅞	5½	Chrysler $6¼	7⅞xd	–⅛	60c	–	4.6
10⅞	5⅞	Citicorp $1	5¼xd	..	–	–	–
26⅞	21⅞	Colgate-Palmolive $1	23⅛xd	–⅛	$1.06	–	2.5
928p	436p	Cont'l Bank Corp $4	564p	+6	60c	–	6.0
21⅞	13⅞	Dana Corp. $1	15⅛xd	+⅛	$1.60	–	5.9
1262p	203p	Data General	895p	–30	–	–	–
25⅞	12⅞	Dial Crop $1.5	24⅞xd	..	$1.40	–	3.2
29⅞	20¼	Dun & Bradstreet $1	28⅞	–⅛	$2.16	–	4.3
40	24¼	Eaton Corpn. 50c	33⅞	..	$2.20	–	3.6
8½	5½	Echlin Inc.	6⅛xd	–⅛	70c	–	5.8
20⅛	14⅞	FPL Group 1c	19⅞xd	..	$2.40	–	6.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest. Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

46	33	Kells Mins. Ir5p	41		–	–
25	6½	Kenmare Ir5p	7¾		–	–
20	15	Kavan Resources	20		–	–
99	50	Northgate Expl. C$1	50		–	–
16	5	North West Expl.	5		–	–
188	82	Oryx Gold Hldgs.	117		–	–
23	10	Ovoca Gold IR 2p	11		–	–
44	17	Plateau Mining 20p	18		–	–
605	404	RTZ 10p	538	–4	19.5	1.7	4.8
11	3½	Thorco Res. Inc.	7½		–	–
10	2	Vizcaya Hldgs 5p	2½		–	–
152	20	Westn & Pac Resg	25	+5	–	–
133	111	Young Group 10p	111		5.2	1.8	6.2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	635xd	......
Finlay Pkg. 5p	45	......
Holt (Jos) 25p	2040	–5

IRISH

Cap. 8½% Ln. 2010	£95½	......
9pc Cap Ln. 1996	£98½	......
Fin. 13% 97/02	£114	......
Arnotts	180xd	......
Helton Hldgs	36	+3
IRG	123½	......
United Drug	170	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit. Aerospace	35
British Steel	10
Brit. Telecom	33
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	42
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Aviva Petm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petm	8
Gaelic Res	1
Premier	4
Shell	40
Tesstar Res	1
Ultramar	20

Mines

Lonrho	20
RTZ	46

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	117.1	117.1	124.1	...	9.27
High Inc Equity	6	131.1	134.3xd	142.8	-0.5	5.95
Worldwide Bond	6	210.3	210.3xd	222.9	-0.7	6.73
Capital Growth						
American Growth	6	202.1	202.1	215.9	-0.6	1.03
Asian Pacific	6	120.6	123.0	130.8	-1.1	1.20
Assets & Earnings	6	180.9	184.6xd	196.3	-0.4	3.06
Capital Reserve Acc	0	110.2	110.2	110.2	.	6.89
Capital Reserve Inc	0	87.13	87.13	87.13	...	6.89
Comdty & Energy	6	73.35	73.35	78.44	-0.13	1.73
1992 Enterprise	6	65.59	65.59	70.14	+0.04	2.94
Euro Capital Acc	6	86.62	86.62	92.64	-0.01	1.12
Euro Capital Inc	6	82.72	82.72	88.47	-0.04	1.13
General	6	174.8	174.8	186.9	-0.1	2.68
Japan	6	98.00	99.08xd	105.4	-1.0	-
Mastertrust	6	90.77	90.77	97.08	-0.29	2.64
UK Growth Acc	6	174.0	174.0	186.0	+0.4	2.14
UK Growth Dist	6	110.6	110.6xd	118.2	+0.2	2.18
US Emerging Cos	6	76.04	77.33	82.26	-0.38	-
Income & Growth	6	301.2	301.2xd	322.1	-1.0	4.35
Ethical	6	54.12	55.46	59.00	-0.04	2.64
International	6	62.35	63.15	67.18	-0.31	1.31
Dividend & Growth	6	49.10	50.28	53.48	-0.20	5.61
Global Gwth & Sec	6	52.68	52.95	56.32	-0.17	3.09
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1121.0	1121.0	1178.0	+1.0	0
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	29.62	29.62xd	31.41	-0.07	2.53
Cash	0	50.77	50.77	50.77	+0.01	10.15
European	5¼	67.17	67.17	71.29	+0.18	0.32
European Income	5¼	70.70	71.05	74.96	-0.09	1.64
Exempt	1	803.0	803.0xd	830.8	+1.1	4.91
Extra Income	5¼	38.73	38.73	42.14	-0.12	5.88
Far East Emerg Econ	5¼	48.23	48.23	51.65	-0.16	1.24
Fixed Int Tst	5	113.8	115.2xd	122.9	-0.1	1.39

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
M & G Securities (0915)H						
Three Quays, Tower Hill, EC3R 6BQ						
Cust Services 071-626 4588 Unit Dealing 0245 266266						
Amer & General	5	282.64	282.7	298.8	-0.9	0.77
(Accum Units)	5	346.63	346.7	366.5	-1.1	0.77
Amer Recovery	5	272.1	272.1xd	287.7	-0.5	0.63
(Accum Units)	5	309.98	310.0	327.8	-0.5	0.63
Amer Smllr Cos	5	82.63	82.70	87.50	+0.6	-
(Accum Units)	5	84.42	84.50	89.40	+0.6	-
Australasian	5	110.25	110.3	116.6	+0.1	1.47
(Accum Units)	5	129.65	129.7	137.1	+0.1	1.47
Capital	5	510.9	510.9	540.3	-1.0	4.35
(Accum Units)	5	639.36	539.4	570.5	-0.9	4.35
Charifund	1	516.85	526.8xd	532.1	-2.7	6.86
(Accum Units)	1	1962.41	1999.2	2019.2	-18.4	6.86
Commodity	5	242.57	242.6	256.6	+1.8	2.14
(Accum Units)	5	346.73	346.8	366.8	+2.5	2.14
Compound Growth	5	661.28	661.3	699.3	-2.1	4.26
Dividend (20-1)	5	28.22	28.40	30.40	-0.1	6.13
(Accum Units)(20-1)	5	101.71	102.3	109.5	-0.6	6.13
Equity Income	5	238.09	242.3	259.3	-0.8	6.69
(Accum Units)	5	260.61	265.2	283.8	-0.9	6.69
European	5	315.19	318.0	336.3	+0.1	1.48
(Accum Units)	5	388.79	392.2	414.8	+0.1	1.48
European Dividend	5	48.09	48.50	51.30	-0.1	5.53
(Accum Units)	5	51.59	52.00	55.00	+0.1	5.53
Extra Yield	5	311.49	317.4	335.6	-2.0	6.48
(Accum Units)	5	841.61	857.5	906.8	-5.3	6.48
Far Eastern	5	187.2	190.0	200.9	-1.4	1.0
(Accum Units)	5	242.22	245.8	259.9	-1.8	1.0
Fund of Inv Tsts	5	394.11	403.6xd	426.8	-1.5	2.85
(Accum Units)	5	695.41	712.2	753.1	-2.7	2.85
General (20-1)	5	46.06	46.10	48.80	-0.2	4.99
(Accum Units)(20-1)	5	113.93	114.0	120.6	-0.6	4.99
Gilt Income	5	57.78	57.80xd	60.70	.....	9.66
(Accum Units)	5	129.87	130.0	136.5	-0.1	9.66
Gold	5	35.34	35.40	37.40	+0.2	2.06
(Accum Units)	5	40.56	40.60	42.90	+0.2	2.06
High Income (20-1)	5	20.65	20.70	21.90	-0.1	6.42
(Accum Units)(20-1)	5	70.45	70.50	74.60	-0.2	6.42
Intl Growth (20-1)	5	53.37	53.70	56.80	-0.2	1.04
(Accum Units)(20-1)	5	90.97	91.50	96.80	-0.4	1.04
International Inc	5	67.67	68.20xd	72.10	-0.2	5.92
(Accum Units)	5	88.49	89.20	94.30	-0.2	5.92

Japan Growth ... 6 | 39.52 | 39.72 | 42.26 | -0.38 | -
Managed ... 6 | 56.17 | 56.95 | 60.58 | -0.02 | 1.86
Money Market ... 6 | 63.93 | 63.93 | 67.77 | +0.02 | 9.56
North American ... 6 | 61.38 | 61.95 | 65.90 | +0.04 | 1.33

* On a switch, units will be issued at bid price.

For MIM Britannia see INVESCO MIM

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Morgan Grenfell Unit Tst Mgrs Ltd (1000)H						
20 Finsbury Circus, London EC2M 1UT						
Dealers: 071-826 0826 Enquiries: 071-826 0123						
American Gwth	5¼	173.5	173.5	185.3	+0.3	0.77
European Gth Inc	5¼	197.4	197.4	210.4	-0.2	0.00
European Gth Acc	5¼	197.4	197.4	210.4	-0.2	0.00
Intl Gwth	5¼	143.0	143.0xd	152.3	-0.9	0.00
UK Equity Inc	5¼	114.9	114.9xd	123.2	-0.2	4.38
UK Equity Acc	5¼	132.5	132.5xd	142.1	-0.2	4.38
UK Ind Tracker Inc	5	123.3	123.3	131.7	-0.1	3.74
UK Ind Tracker Acc	5	134.1	134.1	143.2	-0.1	3.74
US Eq Ind Tracker Inc	5	142.4	142.4	152.6	-0.2	2.95
US Eq Ind Tracker Acc	5	147.9	147.9	158.5	-0.2	2.95
Japan Tracker	5	62.45	62.45xd	66.23	-0.67	0.00
Asian Trader	5¼	81.33	81.33xd	87.43	-0.73	1.79
Managed Inc	5¼	101.2	101.2	108.8	-0.3	1.90
Managed Acc	5¼	102.8	102.8	110.6	-0.3	1.90
Cash Inc	0	100.14	100.14xd	100.14	+0.02	10.31
Cash Acc	0	112.01	112.01xd	112.01	+0.03	10.31
Europa	5¼	102.7	102.7	110.2	+0.1	0.00
Genesis		-	-	-	...	-

For Geoffrey Morley see Commercial Union

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Murray Johnstone UT Mgmt (1000)H						
7 West Nile St, Glasgow G2 2PX 0345 090 933						
Acumen	5	69.81	69.93	74.64	-0.24	4.78
Acumen Reserve	3	66.20	66.20	68.18	...	9.70
American Income	5	130.79	130.80	138.50	-0.70	3.03
Equity Income	5	82.27	82.39	87.92	-0.24	5.66
European	5	53.27	53.27	56.79	-0.01	1.24
Far Eastern	5	107.83	107.90	115.10	-1.10	1.35
Smaller Cos	5	48.50	48.50xd	51.76	.....	2.77
Olympiad	5¼	46.61	46.61	49.64	-0.20	0.68
Olympiad Income	5¼	43.35	43.35xd	46.21	-0.23	6.32
UK Growth	5	75.51	76.07	81.19	+0.07	1.27

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a ...

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH

FT MANAGED FUNDS SERVICE

● Current Unit Trust p[illegible] per minute peak and 36p off peak, [illegible]g (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.62	49.62xd	50.11	+0.01	10.6
Cntrld Prfmnce	5½	48.60	49.00	52.27	-0.05	9.19
Ethical	5½	49.56	50.54	53.77	-0.07	4.66
European Growth	5½	47.12	47.12	50.26	-0.01	2.8
Income	5½	46.81	47.29	50.44	-0.10	7.49
Intl Growth	5½	64.24	64.72	69.03	-0.19	3.28
Managed	5½	58.40	59.11	63.05	-0.18	4.51
UK Growth	5½	51.38	52.01	55.48	-0.14	5.59
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	195.0	197.3	209.5	-0.4	2.99
Do Income	3	186.3	188.5	196.1	-0.4	2.99
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	35.93	35.93	38.18	-0.3	2.56
UK Equity Gth Acc	5½	47.91	48.80	51.85	-0.5	2.05
UK Eq High Inc Inc	5½	31.47	32.15xd	34.16	-0.6	5.76
UK Eq High Inc Acc	5½	35.39	36.14	38.40	-0.7	5.76
UK Equity Gen Acc	5½	46.07	46.81	49.74	-0.6	3.20
UK Equity Gen Inc	5½	36.05	36.62xd	38.92	-0.5	3.20
UK Larger Cos Acc F	7½	300.1	304.0	329.9	-4.0	4.41
UK Larger Cos Inc F	7½	241.6	244.8xd	265.7	-3.1	4.41
Gilt & Fxd Int Inc	5½	27.38	27.69xd	29.25		7.64
O'seas Lrg Cos Acc F	7½	213.2	217.3	235.8	-0.6	2.15

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Nov 14	496.08	499.74xd		2.83
Gross Nov 14	185.47	186.97		10.43
High Yield Nov 14	291.83	294.17		7.48
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.81	53.93xd	+0.12	3.96
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1187.0	1281.0		-
Mngd Pens (Acc)	68.0	72.5		-
Lazard Brothers & Co. Ltd				
Property Sept 3	£2040.0	2600.0		6.00
Inc Exh Pep Apr 16	£1325.0	1460.0		7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Nov 13	£3994.9	4065.2		3.92
European Nov 13	£547.9	553.8		2.05
American Nov 13	£349.6	353.1		2.30
Japan Nov 6	£504.6	510.3		1.28
Pacific Nov 13	£138.9	142.8		1.94
W Midlands Sep 30	£147.60	164.90		2.48

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Life Funds				
Fixed Int. Dep. Acc	324.4	341.5		-
Equity Acc	1032.6	1087.0	+2.4	-
Property Acc	487.0	512.7	-0.1	-
Far East Acc	199.1	209.6	-1.1	-
European Acc	25.4	26.8	+0.1	-
Managed Cap	430.1	452.8	+0.9	-
Managed Acc	805.2	847.6	+1.6	-
O'seas Earnings Acc	726.6	764.9	+1.9	-
Gilt Edged Acc	372.6	392.3	+0.1	-
American Equity Acc	553.5	582.7	-0.9	-
American Man. Acc	284.0	299.0	-0.4	-
American Prop Acc	123.5	130.0	-0.5	-
High Income Acc	23.9	25.2		-
Gan 4				
Fixed Int Dep Acc	27.0	28.5		-
Equity Acc	27.0	28.5	+0.1	-
Property Acc	23.2	24.5		-
Far East Acc	23.1	24.4	-0.1	-
European Acc	21.4	22.6	+0.1	-
Managed Acc	26.9	28.4		-
Overseas Acc	28.1	29.6	+0.1	-
Gilt Acc	28.9	30.5		-
Am Equity Acc	27.3	28.8	-0.1	-
Am Managed Acc	26.6	28.1		-

	Bid Price	Offer Price	+ or -	Yield Gross
Guardian Royal Exchange				
Royal Exchange, EC3 071-283 7101				
Guardian Assurance				
Property Bonds	668.6	696.4		-
Choices Wth-Pfts Lg-tm	131.4	138.3		-
Choices Wth-Pfts Sr-tm	123.4	129.9		-
Choices Managed	154.7	162.8	+0.8	-
Choices Equity	158.6	166.9	+0.8	-
Freedom With Pfts Long-Tm	107.1	112.7		-
Freedom With Pfts Short-Tm	106.2	111.8	+0.1	-
Freedom Managed	92.7	97.6	+0.2	-
Freedom Equity	89.9	94.6	+0.1	1.69
GRE Linked Life Assurance Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
Legal & General — Contd.				
Unit Pensions				
Kingswood, Surrey, KT20 6TH 0737 370370				
Ex. Bldg. Soc. Lnkd	159.4	167.8	+0.1	-
Do. Accum	201.8	212.5	+0.1	-
Exempt Cash Init	283.1	298.0	+0.1	-
Do. Accum	452.4	476.3	+0.1	-
Exempt Eqty. Init	871.4	917.3	+2.6	-
Do. Accum	1392.4	1465.7	+4.3	-
Exempt Euro Init	155.8	164.0		-
Do Accum	191.4	201.5	-0.1	-
Exempt Far East'n Init	211.2	222.4	-1.3	-
Do Accum	259.5	273.2	-1.7	-

	Bid Price	Offer Price	+ or -	Yield Gross
Manulife Group — Contd.				
Pension Fund Prices				
Managed Init		529.4		-
Do. Accum		489.6		-
Property Init		317.7		-
Do. Accum		473.1		-
Equity Init		406.5		-
Do. Accum		605.3		-
Gilt-Edged Init		266.5		-
Do. Accum		400.2		-
Guaranteed Init		209.4		-
Do. Accum		315.7		-
International Init		393.2		-

INSURANCES

OTHER UK UNIT TRUSTS

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Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or −	Yield Gross
Life Managed Fd	107.8	113.5	----	−
Pension Managed Fd	106.3	111.9	----	−
Life Deposit Fd	110.6	116.4	----	−
Pension Deposit Fd	117.2	123.4	----	−

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	169.9	178.9	----	−
UK Equity	180.2	189.7	----	−
Overseas Equity	135.8	143.0	----	−
Fixed Interest	155.8	164.0	----	−
Property	133.8	140.9	----	−
Index Linked	152.4	160.5	----	−
Deposit	163.6	172.3	----	−
With Profits (B)	134.0	141.1	----	−

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or −	Yield Gross
Managed	356.6	375.4	-0.1	−
UK Equity	450.2	473.9	+0.6	−
Overseas Eq	342.4	360.5	-1.2	−
American	292.5	307.9	-0.5	−
Far East	368.4	387.8	-1.4	−
Property	193.9	204.2	-0.2	−
Fixed Int	273.2	287.6	+0.1	−
Indexed Gilt	162.0	170.6	+0.1	−
Deposit	187.6	197.5	+0.1	−
With Profit	104.7	110.2	----	−
Pension Fund (Accum Units)				
Managed	513.7	540.8	-0.5	−
UK Equity	609.8	641.9	+0.9	−
Overseas Eq	577.7	608.2	-3.6	−
American	368.4	394.7	-1.5	−
Far East	602.4	634.2	-5.0	−
Property	247.0	260.0	-0.2	−
Fixed Int	339.7	357.6	+0.1	−
Indexed Gilt	176.8	186.2	----	−

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or −	Yield Gross
UK Equity Acc	228.4	241.0	+0.2	−
UK Fixed Int Acc	186.9	197.2	----	−
Intl Equities Acc	175.1	184.8	-0.2	−
UK Managed Acc	175.6	185.2	+0.1	−
Property Acc	225.7	238.1	----	−
Money Acc	133.4	140.8	----	−
Special Market Acc	148.8	157.0	-2.1	−
Japan Equity Acc	100.6	106.2	-1.2	−
North American Acc	103.2	108.9	----	−
Pacific Acc	94.0	99.2	-0.6	−
Technology Acc	123.2	130.0	+0.7	−
Nat Resources Acc	53.2	56.2	----	−
European Acc	101.0	106.6	+0.5	−
Residential Prop Acc	94.8	100.0	----	−
Swiss Equities Acc	33.4	35.3	+0.1	−
Hong Kong Acc	69.1	72.9	-0.4	−
UK High Inc Eq Acc	73.6	77.7	+0.1	−
Int. Fixed Interest Acc	61.0	64.4	+0.2	−
Int. Managed Acc	56.7	59.8	----	−
HIP Managed Acc	116.6	122.9	-0.3	−
HIP Managed II Acc	102.1	107.7	-0.5	−
HIP Managed III Acc	110.1	116.1	-0.4	−
Total Investment Bond				
UK Equity Initial		194.9	----	−
UK Fixed Int Initial		127.0	----	−
Intl Equities Initial		118.1	-0.2	−
UK Managed Initial		119.3	+0.1	−
Property Initial		154.4	----	−
Money Initial		91.1	----	−
Special Market Initial		115.2	-1.6	−
Japan Equity Initial		77.9	-0.9	−
North American Initial		80.0	+0.1	−
Pacific Initial		72.9	-0.4	−
Technology Initial		95.4	+0.6	−
Nat. Resources Initial		41.2	-0.1	−
European Initial		90.4	+0.5	−
Residential Prop Init		90.3	----	−
Swiss Equities Initial		31.9	+0.1	−
Hong Kong Initial		65.8	-0.3	−
UK High Inc Eq Init		70.1	----	−
Int Fixed Interest Init		58.9	+0.2	−
Int Managed Init		54.9	----	−
HIP Managed Init		113.1	-0.1	−
HIP Managed II Initial		100.3	-0.5	−

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices ... cheap rate and 48p/minute at all ... 36p/minute ... 071-925-2128

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar remains under pressure

THE DOLLAR came under pressure yesterday from the strengthening D-Mark and as the latest batch of US statistics fuelled worries about economic weakness.

The dollar suffered sustained selling pressure after the Labour Department announced that new applications for unemployment insurance benefits rose by 33,000 to a seasonally adjusted 454,000 in the week ended November 2.

The data reinforced the widespread belief that the US economy is stuck in recession and contributed to growing speculation that a sustained recovery has yet to begin.

The dollar fell to DM1.6305 from DM1.6400, although it received support at DM1.6280. Analysts said there is further solid support at DM1.6175.

The strength of the mark put the ERM under further strain. The Bank of Italy was forced to intervene in the currency markets but failed to halt the lira's slide. The mark closed at L753.50 from L752.50, brushing the intervention at L753.00.

The Spanish peseta's recent strength forced the Bank of Spain to sell peseta's for D-Marks. But the peseta remained at the top of the ERM. The mark rose to Pta62.95 from Pta62.85.

The mark and its close monetary relatives, the Belgian franc and Dutch guilder, all strengthened within the ERM. The mark now stands 2.07 per cent above the weakest currency - the French franc - and is fast approaching the 2.25 per cent ceiling at which the Bundesbank is required to step in and halt its appreciation.

Aside from speculation about higher German interest rates, funds also flowed into marks from the Finnish Markka after Finland abandoned its attempt to tie its currency to the ERM.

The markka fell by 10 per cent after the Bank of Finland announced that it was no longer linking the currency to the ECU. Mr Tom Nicol, chief foreign exchange dealer at Kansallis Osake Pannki in London, said there had been a complete absense of buyers after the announcement and that for a while, brokers stopped offering quotes.

The D-Mark rose to FM2.72 from an opening level of FM2.45 before recovering slightly to close at FM2.61.

However, there were worries that with the Bank of Finland offering no new target for the markka and as political uncertainty in Finland continue to mount - there was talk of the prime minister resigning - the currency could continue to fall.

Furthermore, there were worries that the markka could be severly depressed by a wave of selling as large long positions - which could amount to more than a billion dollars - built up by overseas fund managers and domestic Finnish corporations are liquidated.

Sterling came under pressure and with the Bank of England said to have stood aside when the market tested the DM2.90 level, the pound quickly dropped to DM2.8930. Sterling closed at DM2.8950 from DM2.9050 and it fell to the bottom of the ERM.

£ IN NEW YORK

Nov.14	Latest	Previous Close
£ Spot	1.7750-1.7760	1.7755-1.7765
1 month	0.81-0.79pm	0.82-0.81pm
3 months	2.31-2.28pm	2.37-2.34pm
12 months	8.07-7.97pm	8.00-7.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.14	Previous
8.30 am	91.2	91.2
9.00 am	91.2	91.2
10.00 am	91.2	91.2
11.00 am	91.2	91.2
Noon	91.2	91.2
1.00 pm	91.2	91.2
2.00 pm	91.2	91.2
3.00 pm	91.3	91.3
4.00 pm	91.3	91.2

CURRENCY RATES

Nov 14	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.779361	0.705054
U.S Dollar	5.00	1.38023	1.25112
Canadian $	8.17	1.56242	1.41439
Austrian Sch	7.50	15.9168	14.3841
Belgian Franc	8.00	46.6000	42.0970
Danish Krone	9.50	8.78516	7.94085
D-Mark	7.50	2.26082	2.04370
Dutch Guilder	8.00	2.54473	2.30306
French Franc	10¼	7.72239	6.98499
Italian Lira	11½	1701.13	1539.50
Japanese Yen	5.00	179.430	162.283
Norway Krone	8	8.87143	8.01616
Spanish Peseta	–	N/A	128.530
Swedish Krona	10.00	8.26206	7.47168
Swiss Franc	7.00	2.00409	1.81350
Greek Drach	19	N/A	231.182
Irish Punt	–	N/A	0.764835

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov.13

CURRENCY MOVEMENTS

Nov 14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.3	–20.3
U.S Dollar	63.4	–15.7
Canadian Dollar	105.6	+3.5
Austrian Schilling	109.8	+11.9
Belgian Franc	111.4	–1.9
Danish Krone	108.6	+2.9
D-Mark	118.6	+24.8
Swiss Franc	108.5	+16.9
Dutch Guilder	114.4	+16.1
French Franc	102.7	–13.3
Lira	98.6	–19.9
Yen	140.9	+74.9

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100) **Rates are for Nov 13

OTHER CURRENCIES

Nov 14	£	$
Argentina	17602.2 - 17629.9	9900.00 - 9910.00
Australia	2.2560 - 2.2580	1.2705 - 1.2715
Brazil	1289.39 - 1290.66	725.400 - 725.700
Finland	7.0985 - 7.1115	4.0025 - 4.0035
Greece	325.100 - 330.300	183.160 - 186.090
Hong Kong	13.7680 - 13.7810	7.7590 - 7.7610
Iran	117.00*	66.50*
Korea(Sth)	1324.40 - 1345.75	746.80 - 756.80
Kuwait	0.50700 - 0.50770	0.28555 - 0.28585
Luxembourg	59.70 - 59.80	33.60 - 33.70
Malaysia	4.8595 - 4.8675	2.7385 - 2.7405
Mexico	5439.50 - 5445.75	3070.00 - 3072.00
N.Zealand	3.1575 - 3.1615	1.7785 - 1.7805
Saudi Ar	6.6190 - 6.6960	3.7495 - 3.7505
Singapore	2.9675 - 2.9745	1.6730 - 1.6750
S.Af (Cm)	4.9550 - 4.9670	2.7890 - 2.7920
S.Af (Fn)	5.3720 - 5.4545	3.0255 - 3.0720
Taiwan	46.00 - 46.10	25.90 - 25.95
U.A.E.	6.4815 - 6.5585	3.6715 - 3.6735

*Official rate Floating rate £-2471.0 $-1392.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.530	–3.82	5.32	66
Belgian Franc	42.4032	42.0970	–0.72	2.04	39
D-Mark	2.05586	2.04370	–0.59	1.91	43
Dutch Guilder	2.31643	2.30306	–0.58	1.89	33
Irish Punt	0.767417	0.764835	–0.34	1.65	19
Italian Lira	1538.24	1539.50	0.08	1.22	0
Sterling	0.696904	0.705054	1.17	0.13	–23
Danish Krone	7.84195	7.94085	1.26	0.04	–53
French Franc	6.89509	6.98499	1.30	0.00	–67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7745 - 1.7800	1.7750 - 1.7760	0.80-0.78cpm	5.34	2.28-2.26pm	5.11
Canada	2.0045 - 2.0125	2.0090 - 2.0100	0.40-0.29cpm	2.06	1.36-1.20pm	2.55
Netherlands	3.2575 - 3.2675	3.2575 - 3.2675	½-¼cpm	1.15	¾-⅝pm	0.84
Belgium	59.50 - 59.80	59.70 - 59.80	8-3cpm	1.10	17-7pm	0.80
Denmark	11.2300 - 11.2750	11.2425 - 11.2525	1⅛-⅝orepm	1.07	3⅛-2¼pm	0.98
Ireland	1.0825 - 1.0860	1.0825 - 1.0835	0.02-0.07cdis	–0.50	0.03-0.13dis	–0.30
Germany	2.8925 - 2.9025	2.8925 - 2.8975	½-¼pfpm	1.30	⅝-½pm	0.78
Portugal	249.10 - 250.70	249.60 - 250.60	6-48cdis	–1.30	101-175dis	–2.21
Spain	181.40 - 182.50	181.80 - 182.10	29-37cdis	–2.18	99-115dis	–2.35
Italy	2178.00 - 2183.75	2180.75 - 2181.75	1-2liredis	–0.83	5-7dis	–1.10
Norway	11.3450 - 11.3825	11.3575 - 11.3675	½orepm-par	0.26	⅝-¼pm	0.13
France	9.8850 - 9.9150	9.8925 - 9.9025	¾-⅝cpm	0.91	2¼-2pm	0.86
Sweden	10.5750 - 10.6000	10.5900 - 10.6000	½-¾oredis	–0.64	1⅝-2¼dis	–0.68
Japan	230.00 - 231.00	230.00 - 231.00	⅞-¾ypm	4.23	2½-2¼pm	4.01
Austria	20.34 - 20.41	20.34 - 20.37	2½-1½gropm	1.14	5¾-1¼pm	0.74
Switzerland	2.5650 - 2.5750	2.5650 - 2.5750	⅝-½cpm	2.63	1½-1¼pm	2.24
Ecu	1.4155 - 1.4205	1.4170 - 1.4180	0.10-0.03cpm	0.55	0.17-0.08pm	0.35

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.27-4.22cpm. 12 Month 7.94-7.84pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7745 - 1.7800	1.7750 - 1.7760	0.80-0.78cpm	5.34	2.28-2.26pm	5.11
Ireland†	1.6345 - 1.6410	1.6380 - 1.6390	0.71-0.66cpm	5.02	1.98-1.88pm	4.71
Canada	1.1290 - 1.1335	1.1315 - 1.1325	0.29-0.33cdis	–3.29	0.70-0.77dis	–2.60
Netherlands	1.8320 - 1.8415	1.8375 - 1.8385	0.66-0.69cdis	–4.41	1.99-2.03dis	–4.37
Belgium	33.50 - 33.70	33.60 - 33.70	11.00-13.00cdis	–4.28	34.00-39.00dis	–4.34
Denmark	6.3200 - 6.3480	6.3325 - 6.3375	2.10-2.40oredis	–4.26	6.45-6.90dis	–4.21
Germany	1.6245 - 1.6350	1.6300 - 1.6310	0.57-0.58pfdis	–4.23	1.77-1.80dis	–4.38
Portugal	140.85 - 141.25	141.00 - 141.10	70-80cdis	–6.38	253-273dis	–7.46
Spain	102.35 - 102.75	102.60 - 102.70	63-66cdis	–7.54	190-197dis	–7.54
Italy	1225.50 - 1231.50	1228.25 - 1228.75	6.00-6.50liredis	–6.11	18.90-19.90dis	–6.32
Norway	6.3875 - 6.4100	6.3975 - 6.4025	2.55-2.85oredis	–5.06	7.85-8.35dis	–5.06
France	5.5600 - 5.5850	5.5725 - 5.5775	2.06-2.11cdis	–4.49	6.04-6.14dis	–4.37
Sweden	5.9475 - 5.9775	5.9650 - 5.9700	2.85-3.10oredis	–5.98	8.60-9.05dis	–5.92
Japan	129.50 - 130.00	129.80 - 129.90	0.15-0.16ydis	–1.43	0.35-0.36dis	–1.09
Austria	11.4610 - 11.4975	11.4650 - 11.4700	4.10-4.50grodis	–4.50	12.70-14.00dis	–4.66
Switzerland	1.4440 - 1.4510	1.4470 - 1.4480	0.33-0.35cdis	–2.82	1.05-1.08dis	–2.94
Ecu	1.2500 - 1.2550	1.2525 - 1.2535	0.52-0.48cpm	4.79	1.52-1.46pm	4.76

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

EURO-CURRENCY INTEREST RATES

Nov 14	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10½ - 10⅜	10½ - 10⅜	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½	10⅝ - 10½
US Dollar	5⅛ - 4⅞	4⅞ - 4¾	5 - 4⅞	5⅛ - 5	5⅛ - 5	5⅜ - 5¼
Can. Dollar	8⅛ - 7⅞	8⅛ - 7⅞	8 - 7⅞	7⅞ - 7¾	7¾ - 7⅝	7¾ - 7⅝
Dutch Guilder	9⅛ - 9	9⅛ - 9	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
Swiss Franc	7¼ - 7	7½ - 7⅜	7⅝ - 7½	8 - 8⅞	8 - 8⅞	7⅞ - 7¾
D-Mark	8⅞ - 8¾	9 - 8⅞	9⅛ - 9	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
Italian Lira	12 - 10	11⅛ - 10⅝	11⅛ - 10⅞	11⅝ - 11⅛	11½ - 11¼	11½ - 11¼
Belgian Franc	9¼ - 9⅛	9¼ - 9⅛	9⅜ - 9¼	9½ - 9⅜	9⅜ - 9¼	9⅜ - 9¼
Yen	6⅛ - 6⅜	6⅜ - 6¼	6⅜ - 6¼	6⅛ - 6⅛	5⅞ - 5¾	5⅞ - 5¾
Danish Krone	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Asian $Sing.	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	4⅛ - 4	4⅛ - 4	4⅝ - 4½

Long term Eurodollars: two years 5⅞-5¾ per cent; three years 6¼-6⅛ per cent; four years 6⅞-6⅞ per cent; five years 7⅛-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.14	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.775	2.895	230.5	9.897	2.570	3.262	2181	2.009	59.75	1.417
$	0.563	1	1.631	129.9	5.576	1.448	1.838	1229	1.132	33.66	0.798
DM	0.345	0.613	1	79.62	3.419	0.888	1.127	753.4	0.694	20.64	0.489
YEN	4.338	7.701	12.56	1000.	42.94	11.15	14.15	9462	8.716	259.2	6.148
F Fr.	1.010	1.793	2.925	232.9	10.	2.597	3.296	2204	2.030	60.37	1.432
S Fr.	0.389	0.691	1.126	89.69	3.851	1	1.269	848.6	0.782	23.25	0.551
N Fl.	0.307	0.544	0.887	70.66	3.034	0.788	1	668.6	0.616	18.32	0.434
Lira	0.459	0.814	1.327	105.7	4.538	1.178	1.496	1000.	0.921	27.40	0.650
C $	0.498	0.884	1.441	114.7	4.926	1.279	1.624	1086	1	29.74	0.705
B Fr.	1.674	2.971	4.845	385.8	16.56	4.301	5.459	3650	3.362	100.	2.372
Ecu	0.706	1.253	2.043	162.7	6.984	1.814	2.302	1539	1.418	42.17	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
December	106.40	106.50	+0.16	106.52	106.34	9.01	3,514
March	-	106.52	+0.16	-	-	9.01	315

Estimated volume 1,961 Total Open Interest 3,829

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	2.68	-	0.01	0.20	-
106	1.48	1.89	-	0.02	0.41	-
107	0.58	1.23	1.78	0.10	0.70	-
108	0.10	0.74	1.25	0.59	1.20	-
Open Int	90,066	98,635	4,203	89,242	51,232	9,776

Estimated volume 40,905 Total Open Interest 343,154

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7755	1.7676	1.7528	1.7331	1.6966

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit. Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

MONEY MARKETS

London rates mixed

UK money market rates were mixed yesterday as dealers waited for the release of important inflation statistics today.

The key three months interbank rate fell to 10 11/32-10 11/32 per cent from 10 7/16-10 5/16 per cent; six months money was 1/16 point firmer at 10 5/16-¼ per cent; and twelve months money was also up 1/16 point at 10 3/16-10 1/16 per cent.

Economists expect the annual rate of inflation in October to have fallen to 3.6 per cent from 4.1 per cent in September and there remains some speculation about a ½ point cut in interest rates.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

However, with sterling still under pressure inside the ERM most money dealers believe the government would be unlikely to move on rates today.

Sterling fell to the bottom of the ERM yesterday and it dropped below DM2.90 after the Bank of England refrained from currency market intervention.

The weakness of the pound reinforced the belief in the money markets that there will be no early cut in interest rates. Three months money, which closely shadows the level of bank base rates, implies no change in rates this year.

In the futures market, there is also little speculation about an immediate cut in interest rates. The December short sterling contract closed 8 points lower at 89.73, implying an interest rate of 10.27 per cent by the end of that month or no change in base rates.

The latest labour market statistics had no immediate impact in the money market or on the interest rate futures market. Analysts said it is still too early to tell whether the smaller than expected rise in unemployment in October was a sign that a recovery had begun.

Meanwhile, average earnings are still showing no signs of declining and this prevented the unemployment news from having any effect on the markets.

In Germany, call money rates eased slightly to 8.95-9.05 per cent from 9.00-9.10 per cent as banks' reserves at the Bundesbank rose.

Liquidity in the banking system was said to be in adequate supply as Christmas bonus payments entered the market. Reserves on deposit at the Bundesbank rose to DM77.7bn on Tuesday from DM75.4bn on Monday.

In New York, the Federal Reserve, as expected, refrained from open market operations. Federal funds rose to 4 11/16 per cent from 4½ per cent in the previous session.

FT LONDON INTERBANK FIXING

11.00 a.m. Nov.14	3 months US dollars	6 months US Dollars	
bid 5	offer 5⅛	bid 5	offer 5⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime			
Prime rate	7½	One month	4.53	Three year	5.95
Broker loan rate		Two month	4.65	Four year	6.07
Fed.funds		Three month	4.75	Five year	6.60
Fed.funds at intervention	4¼	Six month	4.86	7-year	7.01
		One year	4.95	10-year	7.35
		Two year	5.61	30-year	7.81

Nov.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.95-9.05	9.10-9.15	9.20-9.35	9.25-9.35	9.20-9.40	9.25
Paris						9.25
Zurich						–
Amsterdam						–
Tokyo						–
Milan						–
Brussels						–
Dublin						–

LONDON MONEY RATES

Nov 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer						
Interbank Bid						
Sterling CDs						
Local Authority Deps.						
Local Authority Bonds						
Discount Mkt Deps						
Company Deposits						
Finance House Deposits						
Treasury Bills (Buy)						
Bank Bills (Buy)						
Fine Trade Bills (Buy)						
Dollar CDs						
SDR Linked Dep. Offer						
SDR Linked Dep. Bid						
ECU Linked Dep. Offer						
ECU Linked Dep. Bid						10.15

Treasury Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; Bank Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.7467 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1991. Agreed rates for period Nov 26, 1991 to December 24, 1991, Scheme II & III: 11.68 p.c., Scheme IV&V: 10.447 p.c. Reference rate for period October 1, 1991 to October 31, 1991, Scheme IV&V: 10.447 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from November 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent, six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,699 Set by VIXEN

ACROSS

1 A sale's on maybe only at a particular time of year (8)
5 Call for a comic (6)
9 Sentimental jerk in the Italian capital (8)
10 One could well be untied (6)
11 Carol carries cash, which is discerning (8)
12 The German grabbing a pub meal (6)
14 Expertise required to put on "HMS Pinafore"? (5-5)
18 Having little time, despite being early (5,5)
22 Mean but modish nurse (6)
23 Criminal dimwits inside (8)
24 Rating a highway overseas (6)
25 Drink and dance in an aeroplane? (8)
26 Making a little deal in Greater London area (6)
27 Allowing a salesman to come in, he'll be sorry! (8)

DOWN

1 The importance of self-starter lock (6)
2 Band around a member (6)
3 Fancy becoming a tenor (6)
4 Writing a story, people can cause estrangement (10)
6 Deceive few in the church – make sure of that (8)
7 A European will find oriental nations very different (8)
8 Middle-of-the road fashion to consider (8)
13 Friendly converse (10)
15 Judge wanting tea-times varied (8)
16 Minister joining a sovereign in the country (8)
17 A fruit worker in Spartan accommodation (8)
19 The girl's pen had proved faulty (6)
20 Obliquely question a conservationist body (6)
21 A fisherman showing ill-feeling about the Left (6)

Solution to Puzzle No.7,698

FISHED SHOCKING / RHODESIAN ELAND / DONE ATMOSPHERE / MOISTEN THIRTY / PLATES COLLECT / INTRODUCED SPOT / LANCE TERMINATE / DOCKYARD CRISIS

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | ITALY | GERMANY | SPAIN | SWITZERLAND | NORWAY | SOUTH AFRICA | JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

3:00 pm prices November 14

Quotations in cents unless marked $

[illegible]

1800 Teleglobe	$10¾	10⅛	10⅛	
21100 Videotron x	u$16	15½	16	+½

Total Sales 10,703,000 shares

MONTREAL

3:00 pm prices November 14

[illegible]

INDICES

NEW YORK

DOW JONES	Nov 13	Nov 12	Nov 11	Nov 8	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3065.30	3054.11	3042.26	3045.62	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.69	97.92	97.66	97.86	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1275.78	1278.03	1269.43	1265.70	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.02	219.45	218.26	218.83	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3075.58 (3078.71) Low 3023.70 (3028.62)

STANDARD AND POOR'S

	Nov 13	Nov 12	Nov 11	Nov 8	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	397.41	396.74	393.12	392.89	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	468.35	467.37	462.85	462.76	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	32.54	32.50	32.28	32.13	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	219.37	219.00	217.07	216.82	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	391.81	392.37	391.24	390.46	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	556.17	555.68	550.71	548.08	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 8	Nov 1	Oct 25	year ago (approx.)
Dow Industrial Div. Yield	3.05	3.03	3.09	4.09
	Nov 6	Oct 30	Oct 16	year ago (approx.)
S & P Industrial div. yield	2.72	2.71	2.73	3.54
S & P Ind. P/E ratio	21.19	21.37	21.17	14.43

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Glaxo	5,705,200	30½	+ ¼
Ford Motor	3,178,100	25½	- ¼
Eastman Kodak	2,841,700	49¼	+ 1
BankAmerica	2,744,100	38¾	- ⅛
Goodyear	2,621,300	49¾	- 1¼
Adv Micro	2,426,700	13⅝	+ ¼
Telefonos	2,216,000	45¼	+ ⅜
Total	2,209,000	24⅝	+ ⅝
RJR Nabisco	2,158,800	10¼	....
Gen Motors	2,090,700	34½	+ 1⅛

TRADING ACTIVITY

† Volume Millions	Nov 13	Nov 12	Nov 11
New York SE	184.080	198.600	128.910
Amex	14.761	16.666	11.289
NASDAQ	208.490	214.621	153.630
NYSE			
Issues Traded	2,150	2,162	2,128
Rises	768	1,097	836
Falls	840	581	742
Unchanged	542	484	550
New Highs	115	200	117
New Lows	19	11	22

CANADA

TORONTO	Nov 13	Nov 12	Nov 11	Nov 8	1991 HIGH	1991 LOW
Metals & Minerals	3108.57	3119.54	3077.99	3060.64	3299.99 (18/7)	2632.06 (9/1)
Composite	3596.92	3604.09	3579.30	3561.56	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1900.76	1907.35	1887.57	1880.59	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov 14	Nov 13	Nov 12	Nov 11	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1670.5	1669.0	1677.0	1693.4	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	650.4	652.4	652.4	660.7	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	415.95	418.32	419.66	419.89	534.81 (16/4)	385.58 (4/11)
BELGIUM						
BEL20 (1/1/91)	1108.62	1107.92	1105.76	(c)	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	366.94	366.64	366.52	366.93	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	810.3	813.6	815.1	821.1	1186.9 (8/4)	810.3 (14/11)
FRANCE						
CAC General (31/12/82)	497.05	497.68	496.90	(c)	497.68 (13/11)	394.88 (15/1)
CAC 40 (31/12/87)	1868.53	1846.79	1858.44	(c)	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	663.94	665.28	666.39	663.48	717.43 (17/6)	578.48 (15/1)
Commerzbank (1/12/53)	1874.6	1877.5	1880.6	1870.6	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1620.96	1623.23	1621.22	1609.02	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4211.32	4240.28	4253.82	4230.91	4253.02 (12/11)	2984.81 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1426.25	1420.73	1422.61	1415.47	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	516.35	515.19	512.09	510.56	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24176.54	24416.23	24667.73	24232.99	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1822.66	1837.61	1845.52	1833.95	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2750.59	2774.62	2779.97	2785.46	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	553.21	555.85	556.73	554.57	635.02 (29/5)	478.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	284.6	283.7	284.1	281.6	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	199.9	199.3	199.5	197.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	694.18	697.78	695.13	688.03	793.53 (26/8)	619.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1136.47	1118.65	1103.52	1119.64	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	403.18	403.69	405.17	408.65	422.43 (26/8)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1079.0&	1092.0	1084.0	1091.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4332.0&	4364.0	4332.0	4335.0	4365.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	673.35	675.85	677.53	679.58	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	249.53	252.85	254.93	256.87	289.22 (18/3)	213.78 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	980.6	1000.2	1001.1	1005.6	1149.8 (11/7)	888.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	769.3	765.3	765.2	757.3	769.3 (14/11)	598.4 (14/1)
SBC General (1/4/87)	626.0	624.3	625.8	622.5	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4491.52	4469.73	(c)	4491.68	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	670.92	682.66	683.39	688.74	908.13 (19/6)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	526.0*	527.1	528.2	524.0	529.2 (17/4)	439.1 (16/1)

**Saturday November 9: Taiwan Weighted Price: 4495.13; Korea Comp Ex. 684.66.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, 14 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Japan Storage	10.9	1,190	0	Pacific Metals	2.6	725	-3
Toyo Ink	5.7	721	+12	Kurabo Inds	2.5	960	+37
Hitachi	3.7	938	-29	Meiji Milk	2.2	1,130	-20
Okamoto	3.4	877	+52	NKK	2.2	367	-13
Nippon Steel	3.2	387	-7	Joyo Bank	2.1	1,040	+40

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:15 pm prices November 14

1991 High	1991 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅝	9¼	AAR Corp	0.48	3.5	18	390	13⅝	13⅜	13⅝	-⅛
22⅝	14½	A L Labs A	0.16	0.7	36	683	u22⅞	22⅝	22¾	+⅛
55¼	40⅞	AMP Inc	1.44	2.7	92	1226	53⅝	53½	53⅝	-¼
68⅝	44¼	AMR				125049	62¼	61⅝	62¼	+1¼
2⅝	1	ARX			1	62	1¼	1⅛	1¼	+⅛
56	41½	ASA x	3.00	6.4	13	400	47½	46⅝	46⅝	-⅛
61⅜	39¼	Abbott Lab	1.00	1.6	24	2204	u61⅝	60¼	60½	-⅛
14⅝	9⅝	Abitibi Pr	0.50	3.6	25	9	13⅝	13¼	13¾	
11⅝	10⅜	ACM Gv In x	1.26	11.4		182	11	10⅞	11	
9¾	8¼	ACM GvOpp x	1.01	10.6		47	9⅝	9½	9½	
9½	8½	ACM Gv Sp x	1.01	11.1		216	9⅛	9⅛	9⅛	-⅛
11	9⅞	ACM Gvt Se	1.26	12.0		215	10⅝	10½	10½	
9	7⅝	ACM Man x	1.01	11.5		149	8⅞	8⅞	8⅞	
12⅞	11½	ACM Mangd x	1.35	10.6		114	u12⅞	12⅛	12⅞	+⅛
7½	4¾	Acme Cleve	0.40	6.4	16	60	6⅝	6¼	6¼	-⅛
6	3⅞	Acme Elect			48	67	5¼	5	5⅛	
40	22⅛	Acuson			89	255	36½	36¼	36¼	-¼
20¼	14¼	Adams Expr	0.73	3.6	1	75	u20¼	20	20¼	
20¼	17½	Adobe12Pf	2.40	12.6		32	19	18⅞	19	+¼
9¼	6⅝	Adobe Res			49	208	7¼	7¼	7¼	
38⅝	18	Ad Micro				90	38¼	37½	37⅞	+⅛
14¼	4⅝	Ad Micro P	3.00	22.0		1048766	14	13½	13⅝	-⅛
5⅝	2¼	Advest Grp	0.18	3.8	8	389	4⅝	4⅛	4½	+⅛
49¼	31⅞	Aetna Lf	2.76	6.7		382517	41⅝	41¼	41⅝	
10⅝	6⅝	Affil A x	0.24	3.0	54	428	8⅛	8	8¼	
20⅞	12	Ahmanson x	0.88	5.5		103332	16¼	15⅞	16	+⅛
18¼	2⅞	Aileen Inc			16	155	u18⅛	18⅛	18⅛	-⅛
74¼	51⅛	Air Pr Chm	1.56	2.2	17	803	72½	72	72	
30	16⅝	Airbne Frt x	0.30	1.3	57	552	22⅞	22⅝	22⅞	+⅛
21½	12½	Airgas Inc			80	17	u21¼	21⅛	21¼	+⅜
15¼	10	Airlease	1.68	14.1	6	37	12	11⅞	11⅞	+⅛
99½	88¼	AlaPw8.16 x	8.16	8.2		4	u100½	99	99	-½
25⅜	21⅛	AlaPw PfA	2.00	8.0		11	u25¼	25¼	25⅛	
107	100	AlaPw9.44 x	9.44	8.9		2	106½	106½	106	-½

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

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1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
51¼	43¼	Xerox4.125 x				2	50¾	50½	50½	
25¾	14⅛	Xtra 1.94 x				14	24½	24	24⅜	
29¾	14¼	Xtra Corp x	0.72	2.5	95	75	28⅞	28⅜	28⅞	
27⅞	21⅝	Yankee Egy	1.60	6.0	12	62	27	26½	26⅞	
1½	⅝	Zapata			2	316	⅝	d½	⅝	
9⅞	5¼	ZenithElec			2	367	7⅛	7	7	
18½	12	Zenith Nat	1.00	6.2	29	169	16⅛	16⅛	16⅛	
6⅝	4½	Zenix Inc x	0.84	13.2		11	u6⅜	6⅜	6⅜	
15⅛	10⅞	Zero Corp x	0.40	3.4	15	99	11⅞	11¾	11⅞	
41⅛	29½	Zurn Ind x	0.88	2.6	13	185	33⅞	33½	33⅞	
13½	10¼	Zweig Fund	1.16	8.9		209	13⅛	12⅞	13	
10½	9½	Zweig Totl x	0.96	9.2		426	10⅜	10¼	10⅜	

Price data supplied by Telekurs.

NYSE: The figures in the Yield column have been adjusted to show yield %.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices November 14

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices November 14

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1624	27	26	26½	+⅛
XL Data		34	267	12	11½	11½	
Xoma Corp		45	2895	20	18¾	19	-⅝
Yellow Fr	0.94	103	2747	31⅛	30¾	31	-⅛
York Rsch		70	907	8⅝	8¼	8½	+¼
ZionsUtah	1.44	9	76	47¼	45¼	47	+⅝

AMERICA

Signs of economic weakening depress Dow

Wall Street

IN SPITE of a strong recovery in the bond market on promising inflation news, share prices fell yesterday morning in heavy trading amid further evidence of a faltering economy, *writes Patrick Harverson in New York.*

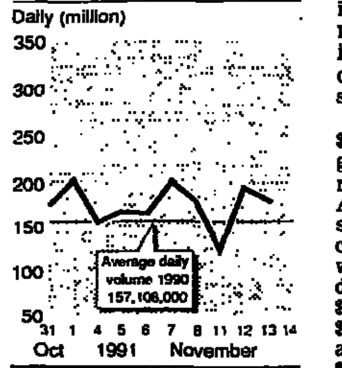
By 1 pm the Dow Jones Industrial Average was down 12.97 at 3,052.33. The more broadly based Standard & Poor's 500 was also weaker at midsession, down 1.11 at 396.30, while the Nasdaq composite of over-the-counter stocks fell 2.31 to 553.86. Volume on the NYSE was 126m shares, and declines outpaced rises by 842 to 612.

Once again the stock market had to weigh up the positive impact of a rise in bond prices, and the negative implications of yet more unpalatable economic news. The fall in bond yields was prompted by the report of a mere 0.1 per cent rise in October consumer prices, but investors seemed more troubled by the release of another big increase in jobless claims and by news of a 0.1 per cent decline in retail sales last month.

The poor retail sales figures were particularly disturbing because, without a decent recovery in consumer spending, the economy is unlikely to make much progress.

Among individual stocks, Caterpillar fell $3⅞ to $44⅛ in heavy trading after the opening was delayed because of a build-up of sell orders. The selling was triggered by news that the heavy equipment manufacturer had predicted a big loss in the fourth quarter, exceeding the $86m shortfall it reported for the first nine months of this year. Unfavourable business conditions,

NYSE volume



labour problems and non-recurring charges were blamed for the likely loss.

Humana, the private hospital group, plunged $4⅞ to $23 in 2.1m shares after the company predicted that fiscal first quarter earnings would be flat.

Gap, the clothes retailer, eased $¼ to $29⅛ in spite of reporting a near 50 per cent improvement in third quarter net income to $70.8m, and a 20 per cent increase in comparable store sales.

Chase Manhattan fell $⅛ to $17¾ on the news that the group plans to withdraw from retail banking business in Argentina, although its wholesale banking operations will continue. Banking stocks as a whole were depressed yesterday, with Citicorp down $⅛ at $11, Chemical $⅛ lower at $24⅝, BankAmerica down $⅛ at $38⅛, and Security Pacific $¼ lower at $30⅞.

On the over-the-counter market, a number of stocks in the health and biotechnology sector nosedived on the news that the Food and Drug Administration had begun to turn down marketing applications for breast implant products.

Leading the way down were Inamed, which fell $1⅞ to $1¾ before trading was halted, Bioplasty, down $1⅞ at $4⅝, and Mentor, $2¼ weaker at $11⅛.

Canada

TORONTO STOCKS also ignored strength in the bond market and tumbled across the board. The composite index fell 22.7 to 3,574.6 at midday. Declining issues led advances by 237 to 207 in volume of 18.3m shares valued at C$247.8m.

Among active issues, Shaw Industries class A was flat at C$20, Lac Minerals eased C$⅛ to C$9⅛, American Barrick rose C$¼ to C$28⅝ and Rogers Communications class B rose C$⅛ to C$13¾.

Inco tumbled C$1⅝ to C$36⅛, after one broker cut its earnings forecasts following an analysts' meeting.

Influx of funds sets Venezuela jumping again

Many analysts believe that Caracas shares are now overvalued, writes Joe Mann

THE CARACAS stock exchange, which had lost its momentum earlier this year after being the best performing stock market in the world in 1990, is in the midst of a year-end surge which has driven some share prices to record highs.

But this boomlet, apparently triggered by investments from some international funds starting last August, will not bring it anywhere near last year's performance. Moreover, it has been caused by a modest amount of money – a few million dollars – entering a very small market and fuelling a wild scramble for a limited number of stock issues.

The Caracas stock exchange index at November 13 had risen 71 per cent since the end of last year, compared with a 546 per cent increase registered for the 1990 full year. In dollar terms, the market had climbed 28 per cent to November 8, according to the World Bank's International Finance Corporation, compared with a surge of 572 per cent last year.

The exchange, the Bolsa de Valores de Caracas, lists 81 stocks, but fewer than a dozen account for most of the trade.

In the past few months, trading has been active on certain days. On Wednesday this week, for example, turnover rose to $30.6m, with 1,024 transactions and 7.5m shares changing hands. This compared with $17.5m, 856 transactions and 5m shares on Tuesday.

The most active issues recently have been La Electricidad de Caracas, the country's largest and widely held private utility; Sivensa, a steel company; Corimon, a diversified industrial group; Envases Venezolanos, which makes plastic and paper containers; Mantex and Sudamtex, both textile producers. Sivensa and Corimon recently became the first Venezuelan companies to have American depositary receipts listed in New York, thus raising interest in the US.

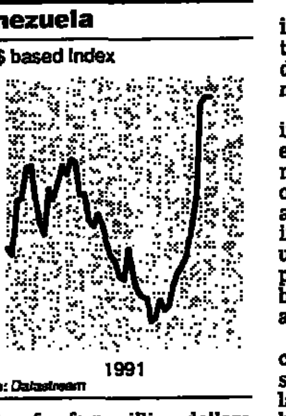
Some shares have risen precipitously in recent months, for no apparent reason. According to VenEconomy, a business magazine published in Caracas, "lunacy and madness" were the order of the day in recent trading on the Caracas exchange. During October, for example, the magazine cited increases of 182 per cent for La Electricidad; 212 per cent for Envases Venezolanos; 191 per cent for Dominguez & Cia; and 108 per cent for Inverdica, an investment company.

Many analysts view the market today as highly overvalued. Mr Robert Bottome, an editor of *VenEconomy*, says the recent upsurge is a classic case of a relatively small investment, in international terms, causing an exaggerated response. "It does not take much money to move the Caracas exchange, or to provoke an upward cycle," he adds.

Mr Alex Dalmady, editor of a new publication, InvestAnalysis, which analyses Venezuelan companies and their shares, says the market for the most part is clearly overvalued. He estimates that active industrials are trading at around 35 times earnings, while financial issues average 21 times earnings. The shares of some well-managed and profitable companies are trading at 50 or more times expected earnings, thanks to the recent run-up.

Emerging market funds such as GT Capital, the Beta Fund, Genesis Investment Management and the Latin American Investment Fund are some of the funds that have taken a hard look at the Caracas exchange this year. Investments of a few million dollars by one or more of these funds probably provoked the current surge in prices, analysts say. Conversely, if an international fund decides to sell $1m or so in shares, the market could easily panic.

Venezuela



After the market peaked in January of this year, a correction set in during February. It recovered in the next couple of months, only to undergo a more severe correction, starting in April. However, the Caracas exchange rallied in July and August, starting the uptrend that is still in motion.

The exchange is still suffering from the same problems that have been plaguing the development of a stable capital market in Venezuela for years.

It remains very small in international terms, and can be easily manipulated by investments of a few million dollars or less. Analysts also complain about the lack of controls on insider trading and other irregularities. Moreover, many companies listed are closely held by family or corporate groups and are not active.

Back office work is inefficient and extremely slow, and settlements are often made late. Some foreign investors have had to wait months to obtain certificates for shares which they have purchased.

The exchange and the National Securities Commission, Venezuela's equivalent of New York's Securities Exchange Commission (SEC), have promised to make significant reforms, but these have been slow to take shape. Also, the securities commission has been questioned over the past year about decisions – particularly in relation to last year's takeover bids for Banco de Venezuela – that some investors feel were biased.

EUROPE

Oil sector lifts Paris while bad news hits Stockholm

TRADING WAS active in Paris and Stockholm yesterday, as the rally in the French oil sector gathered pace, while Ericsson and Sweden's forestry stocks suffered steep falls, *writes Our Markets Staff.*

PARIS advanced 1.2 per cent on another wave of buying in the oil sector. The latest reason was the news late on Wednesday that the government would sell 2 per cent of Elf Aquitaine, reducing its stake to 51.5 per cent.

The CAC 40 index closed near its day's high at 1,868.53, up 21.74, in turnover boosted by the activity in oil stocks to about FFr3bn from FFr1.9bn.

Elf Aquitaine leapt FFr24.30 or 6 per cent to a record FFr433 in heavy turnover of FFr376m, while Total gained another FFr60 or 5.7 per cent to an all-time high of FFr1,120 in trading worth FFr444m. Analysts were worried yesterday that a correction could be imminent: Total has gained 29 per cent since early October, while Elf is up 10 per cent since late last month.

The sale of a large block of shares is not usually an incentive to buy. But the Paris market believed that the government would try to get as high a price as possible for its stake.

Mr Thierry Defforey of Kleinwort Benson in Paris explained that the oil stocks had been feeding off each other's success. The original trigger for buying Total had the stock's listing in New York on October 25. US demand had tended to lift Total's share price in New York, causing the share price to catch up in Paris the next day. The buying spilled into Elf, as some investors took profits in Total and switched.

The second trigger was the news at the end of October that Total would be added to the CAC 40 index. From next month, Total and Elf together will have a weighting of 15 per cent in the index, and foreign investors have been raising their weighting in French oil stocks to match it. Other oil shares have also benefited: Esso France yesterday gained FFr25 or 4 per cent to FFr645.

The interest in oil stocks was drawing attention to the rest of the Paris market, said Mr Defforey, but the real test would be whether the CAC 40 could break out of its 1,830-1,880 trading range. "It might break through, but the move could only be justified fundamentally if there was an interest rate cut, and that seems unlikely," he said.

STOCKHOLM tumbled in heavy trade, as Ericsson reported a 53 per cent drop in profits after nine months and as Finland floated, and effectively devalued the markka, threatening the earnings of Sweden's forestry sector.

The Affärsvärlden General index dropped 19.6, or nearly 2 per cent to 980.6. Turnover rose from SKr385m to SKr421m. Ericsson B shares dropped SKr14, or 10 per cent to SKr123 and another SKr3 to SKr120 in London later. In the forestry sector, down 7 per cent overall, Stora fell SKr10 to SKr270, MoDo by SKr15 to SKr210 and SCA by SKr9 to SKr100.

In HELSINKI, which had expected the currency move, the Hex index fell another 3.30 to yet another 1991 low of 810.0, while in OSLO, which was also weakened by lower North Sea oil prices, the all-share index fell 3.29 to 446.67.

FRANKFURT traded mostly sideways, the DAX index closing 2.27 lower at 1,620.96 after a 1.34 fall to 663.94 in the FAZ at midsession. Volume was virtually unchanged at DM5bn.

Earnings reports left blue chips unimpressed, Siemens easing DM3 to DM633.50 (its level in the London post-bourse on Wednesday) and Daimler closing unchanged at DM714.50. In chemicals, BASF fell DM236.70 ahead of the third quarter results season, which begins next week and which is not expected to be inspiring.

Continental rose DM2.50 to DM220.50 on reports that a letter of intent on co-operation had been signed by the tyre-maker and Italy's Pirelli SpA.

MILAN saw Pirelli SpA up L58 to L1,978 on a similar story as the Comit index rose 1.16 to 516.35 in a session prolonged by the liquidation of the portfolio held by the stockbroker, Mr Gianangelo Sozzi, declared insolvent earlier this week.

AMSTERDAM overcame its disappointment with third-quarter profits from Royal Dutch at the low end of expectations, as investors covered short positions before today's options expiry. The CBS Tendency index closed 0.8 up at 92.4 in heavy turnover of Fl 706m. Royal Dutch edged up 20 cents to Fl 152.

Foreign demand lifted Akzo Fl 5.50 to a year's high of Fl 134.50 and Heineken Fl 1.90 to Fl 161.70.

MADRID fell sharply on pessimism about the economy and corporate prospects, after the previous day's inflation figure for October. The general index dropped 3.32 or 1.3 per cent to 249.53 in turnover of about Pta13bn, down from Pta17bn.

ZURICH registered strength in chemicals, although the Crédit Suisse index fell 1.7 to 497.9. Ciba-Geigy and Sandoz saw strong buying interest from large institutional investors, the registered shares rising SFr50 in each case, to SFr3,160 and SFr2,520 respectively. Sulzer dropped another SFr150 to SFr4,550 after Wednesday's forecast of a drop in 1991 profits.

ISTANBUL rose 4.8 per cent, the market index closing 133.59 higher at 2,939.22 ahead of the expected formation of a coalition government on Saturday.

FT-SE Eurotrack 100 - Nov 14

Hourly changes

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1110.41	1110.06	1108.47	1109.34	1108.83	1109.00	1109.31	1109.78

Day's High 1110.41 Day's Low 1108.05

Nov 13	Nov 12	Nov 11	Nov 8	Nov 7
1104.90	1106.72	1100.31	1102.71	1090.12

Base value 1000 (26/10/90)

SOUTH AFRICA

JOHANNESBURG's overall index retreated from Wednesday's record levels, falling 30 to 3,550. The industrial index, which was also at an all-time high the previous day, shed 32 to 4,332 and the all-gold index slipped 13 to 1,079.

ASIA PACIFIC

Nikkei declines after long-awaited rate cut

Tokyo

SHARES lost ground yesterday in spite of the long-awaited discount rate cut. Volume remained thin, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 239.69 down at 24,176.54 after a day's high of 24,549.64 and a low of 24,089.17. The Bank of Japan's 50 basis points rate reduction prompted the index to move up after the opening, but the buying soon faded.

Volume stayed sluggish but improved to 230m shares from 200m. Institutional investors were discouraged by the volatility caused by options-related moves. Foreign buying, which had supported the recent rally, evaporated on worries about a run of poor interim results.

Losses outnumbered gains by 716 to 233, with 175 issues remaining unchanged. The Topix index of all first section stocks fell 14.95 to 1,822.66, but in London trading the ISE/Nikkei 50 index ended a slight 0.21 up at 1,369.02.

Market participants were disappointed that money market rates did not fall in line with the discount rate. The yield on the 129 benchmark bond closed only slightly lower. Moreover, some investors had been hoping for a 75 basis points cut in the discount rate; a 50 basis points reduction had been discounted.

Mr Peter Johnson at Baring Securities said: "The recovery of share prices depends on how quickly the market can start thinking about the next interest rate cut." He added that the focus would be on the Tankan, the central bank's quarterly survey of business sentiment, to be released at the beginning of next month.

Export-oriented high technology stocks fell sharply on expectations of a prolonged slump in the US economy. Among stocks posting lows for the year were Hitachi, down Y29 at Y936; Sony, Y100 lower at Y4,900; and Fujitsu, which fell Y29 to Y870.

Sanrio, the novelty maker, dropped Y300 to Y2,350 on its poor earnings outlook for the current year. The company revised its pre-tax profits forecast to Y2.2bn from Y8bn.

In Osaka, the OSE average receded 239.86 to 26,233.34 in volume of 18.5m shares. Nintendo, the video game maker, weakened Y600 to Y12,600 on worries about the higher yen.

Shimano, the bicycle maker, fell Y60 to Y2,430 on profit-taking. Rumours, denied by the company, that it would revise downwards its profits projections for the current year prompted margin selling.

Roundup

THERE WAS more action in emerging markets than in their more established counterparts on the Pacific Rim yesterday.

JAKARTA extended its rebound in bullish sentiment, the official index rising 5.30 to 247.54 for a three-day gain of 7.7 per cent. Locals joined foreign investors in pursuit of their favourites, which advanced in heavy trading, although overall market volume declined a little, from 7.6m shares to 7.3m.

MANILA reached a five-month high as second-line stocks joined the rest of the market on the upgrade. The composite index climbed 17.82 to 1,136.47 and turnover soared from 131m pesos to 751m.

Optimism was sustained by an appreciating peso, rising consumer spending as Christmas nears and a relatively quiet political environment. A strong earthquake in the southern Philippines on Wednesday, a week after floods killed up to 7,000 people on the central islands, did not affect the market.

BANGKOK fell on reports of possible movements by pro-democracy academics and students against a military-influenced new constitution draft, which they said would allow the military to cling to power after elections. The SET index shed 11.74 to 670.92.

SINGAPORE was narrowly mixed with the Straits Times Industrial index a modest 2.88 up at 1,475.29. HONG KONG's Hang Seng index fell 28.96 to 4,211.32 in turnover down from HK$2.1bn to HK$1.7bn.

AUSTRALIA declined in morning business in continuation of its trend of recent days, but an arbitrage programme then lifted prices before they slipped again, to end with the All Ordinaries index only 1.5 ahead at 1,670.5.

NEW ZEALAND saw another fall, of 5 cents to NZ$3.58, in its biggest listed company, Telecom. The NZSE-40 index finished 8.50 easier at 1,539.28.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 13 1991								TUESDAY NOVEMBER 12 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	158.05	−0.5	132.31	129.97	134.76	133.71	−0.4	4.52	158.84	132.83	130.13	135.03	134.25	160.31	112.74	123.76
Austria (20)	170.85	−0.9	143.03	140.51	145.68	145.15	−0.8	1.97	172.44	144.19	141.27	146.58	146.54	222.37	153.86	200.63
Belgium (47)	134.06	+0.5	112.23	110.24	114.30	111.42	+0.3	5.31	133.40	111.55	109.28	113.39	111.03	151.20	118.04	139.31
Canada (115)	144.26	+0.2	120.78	118.64	123.01	118.16	+0.1	3.15	143.97	120.39	117.93	122.37	118.01	144.26	126.49	125.25
Denmark (37)	261.08	−0.3	218.56	214.71	222.60	226.10	−0.1	1.57	261.81	218.92	214.48	222.54	226.29	270.56	217.74	255.15
Finland (16)	86.16	−1.6	72.13	70.86	73.46	72.44	−1.7	3.36	87.56	73.22	71.74	74.43	73.72	125.16	83.69	105.82
France (109)	144.87	−0.7	121.28	119.13	123.51	127.26	−0.5	3.48	145.90	122.00	119.51	124.01	127.87	152.26	119.11	139.51
Germany (65)	112.58	−0.4	94.25	92.60	95.99	95.99	−0.1	2.36	113.01	94.50	92.59	96.08	96.08	125.35	94.15	115.09
Hong Kong (55)	174.49	−0.5	146.07	143.49	148.78	173.88	−0.5	4.27	175.29	146.58	143.60	149.01	174.67	175.29	119.62	122.77
Ireland (18)	161.74	−0.6	135.40	133.01	137.90	139.60	−0.4	3.59	162.72	136.07	133.31	138.32	140.19	182.46	132.88	152.17
Italy (77)	70.81	+0.9	59.28	58.23	60.37	65.21	+1.0	3.56	70.16	58.67	57.48	59.64	64.56	88.23	64.76	80.25
Japan (474)	139.17	−0.9	116.51	114.45	118.68	114.45	−0.5	0.74	140.39	117.39	115.01	119.35	115.01	146.97	118.23	129.81
Malaysia (68)	212.65	−0.1	178.02	174.87	181.31	224.57	−0.1	2.77	212.87	178.00	174.38	180.94	224.80	247.78	189.18	194.28
Mexico (17)	1378.41	+2.5	1153.94	1133.59	1175.28	4628.26	+2.5	1.11	1344.18	1124.01	1101.18	1142.60	4513.30	1378.41	534.45	549.29
Netherland (31)	147.14	−0.3	123.18	121.00	125.46	124.00	−0.2	4.35	147.65	123.46	120.96	125.51	124.20	147.65	125.70	134.07
New Zealand (14)	49.39	−1.3	41.35	40.62	42.11	46.75	−1.0	6.09	50.02	41.83	40.98	42.52	47.20	54.64	41.18	48.45
Norway (30)	186.76	−0.2	156.34	153.59	159.24	162.86	+0.0	1.59	187.13	156.48	153.30	159.07	162.87	223.24	178.58	223.53
Singapore (38)	210.47	−0.5	176.19	173.09	179.45	162.75	−0.5	2.14	211.62	176.96	173.36	179.88	163.64	213.93	151.63	154.50
South Africa (61)	267.36	+1.4	223.82	219.87	227.95	180.09	+0.9	2.72	263.69	220.50	216.02	224.14	178.44	267.36	173.00	165.47
Spain (53)	150.43	−0.5	125.94	123.72	128.26	117.21	−0.7	4.70	151.13	126.37	123.81	128.46	117.98	171.12	131.51	148.07
Sweden (25)	180.65	−0.4	151.23	148.57	154.03	160.19	−0.3	2.78	181.44	151.72	148.64	154.23	160.69	204.12	146.60	165.45
Switzerland (59)	98.28	−0.2	82.28	80.83	83.81	88.50	−0.1	2.29	98.49	82.36	80.69	83.73	88.57	100.67	82.17	92.72
United Kingdom (240)	180.68	−1.2	151.26	148.58	154.04	151.26	−1.1	4.91	182.96	153.00	149.87	155.51	153.00	187.44	158.27	160.54
USA (526)	161.59	+0.2	135.38	132.90	137.79	161.59	+0.2	3.00	161.35	134.92	132.18	137.16	161.35	161.59	125.95	129.29
Europe (826)	142.95	−0.7	119.67	117.56	121.89	121.46	−0.6	3.97	143.95	120.37	117.93	122.37	122.14	151.52	125.50	135.65
Nordic (107)	183.00	−0.4	153.20	150.50	156.03	154.15	−0.2	2.09	183.67	153.59	150.47	156.13	154.47	200.81	155.55	179.45
Pacific Basin (718)	140.37	−0.8	117.51	115.44	119.68	116.46	−0.5	1.07	141.54	118.35	115.95	120.31	117.01	145.92	117.86	128.99
Euro – Pacific (1544)	141.74	−0.8	118.66	116.55	120.84	119.27	−0.5	2.24	142.85	119.45	117.01	121.42	119.89	147.66	121.29	132.05
North America (641)	160.44	+0.2	134.31	131.96	136.82	158.66	+0.2	3.01	160.19	133.95	131.24	136.19	158.42	160.44	125.91	128.95
Europe Ex UK (586)	120.47	−0.3	100.85	99.09	102.74	104.31	−0.1	3.25	120.81	101.02	98.99	102.71	104.44	129.80	103.58	119.96
Pacific Ex. Japan (244)	152.09	−0.5	127.32	125.10	129.69	134.75	−0.4	4.11	152.83	127.80	125.22	129.92	135.32	153.19	111.40	118.70
World Ex. US (1737)	143.93	−0.7	120.49	118.37	122.72	120.97	−0.4	2.27	144.90	121.17	118.72	123.18	121.50	148.16	122.32	132.39
World Ex. UK (2023)	145.77	−0.3	122.03	119.88	124.30	131.88	−0.1	2.26	146.16	122.22	119.75	124.25	132.04	146.16	120.06	127.33
World Ex. So. Af. (2202)	148.02	−0.4	123.91	121.74	126.22	133.33	−0.2	2.53	148.61	124.27	121.75	126.33	133.65	148.66	122.92	130.06
World Ex. Japan (1789)	155.33	−0.1	130.04	127.76	132.46	144.32	−0.1	3.38	155.55	130.07	127.44	132.24	144.46	155.55	126.89	131.81
The World Index (2263)	148.81	−0.4	124.58	122.39	126.89	133.74	−0.2	2.54	149.37	124.90	122.37	126.98	134.04	149.37	123.28	130.28

Latest prices were unavailable for this edition.